IMAGINATION IS THE LIMITATION

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 NOVEMBER

2022

BLUE LABEL

TELECOMS

Financial highlights

Revenue of **R9.8 billion***

Increase in gross profit margin from **14.93%** to **15.67%**

Increase in gross profit of 13% to **R1.54 billion** (2021: R1.36 billion)

Successful conclusion of the Cell C recapitalisation transaction in September 2022

Core headline earnings of **3.94 cents per share****
(2021: 62.69 cents per share)

* On inclusion of the gross amount generated on "PINless top-ups", prepaid electricity, ticketing and gaming, the effective increase equated to 9% from R36.2 billion to R39.3 billion.

** Excluding the extraneous contributions of R421 million in the current period, primarily resulting from the recapitalisation transaction of Cell C, and R148 million in the prior period, core headline earnings per share increased by 13% to 51.72 cents per share compared to 45.68 cents per share in the prior period.

Commentary

Group results

Core headline earnings for the period ended 30 November 2022 amounted to R35 million, equating to core headline earnings of 3.94 cents per share.

The core businesses of the Blue Label Group continued to generate further growth in revenue, gross profit and core headline earnings per share for the six-month period ended 30 November 2022. The predominant extraneous contributions to the November 2022 basic, headline and core headline earnings per share, emanated primarily from the recapitalisation transaction of Cell C.

In the comparative period, core headline earnings amounted to R549 million, of which R548 million related to continuing operations and R1 million to discontinued operations. Core headline earnings amounted to 62.69 cents per share.

Excluding the above extraneous contributions of R421 million in the current period and non-recurring income of R148 million in the prior period, as illustrated in the underlying tables, core headline earnings increased by R55 million (14%) from R400 million to R455 million. Core headline earnings per share increased by 13% from 45.68 cents per share in the prior period to 51.72 cents per share.

Earnings per share amounted to negative 8.74 cents per share. In the prior period, earnings per share amounted to 60.71 cents per share, of which 60.59 cents related to continuing operations and 0.12 cents to discontinued operations. Excluding the extraneous contributions and non-recurring income in both the current and prior periods, earnings per share and headline earnings per share increased by 14% to 49.66 cents per share and 49.86 cents per share, respectively.

Group revenue increased by R710 million (8%) to R9.8 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 R3.1 billion (9%) from R36.2 billion to R39.3 billion.

Gross profit increased by R179 million (13%) from R1.36 billion to R1.54 billion, congruent with an increase in margins from 14.93% to 15.67%.

Commentary continued

Group income statement

	Group November 2022 R'000	Extraneous costs▲ November 2022 R'000	Remaining November 2022 R'000
Revenue	**9 823 143**	–	9 823 143
Gross profit	**1 539 635**	–	1 539 635
Other income	**15 071**	–	15 071
Bad debts, expected credit losses and fair value movements	**(124 058)**	(44 589)	(79 469)
Loss on modification of financial instrument	**(64 500)**	(64 500)	–
EBITDA	**609 405**	(109 089)	718 494
Finance costs	**(247 765)**	(89 747)	(158 018)
Finance income	**131 402**	57 906	73 496
Non-controlling interest	**(8 759)**	–	(8 759)
Reversal of impairments in associates	**962 531**	962 531	–
Share of (losses)/profits from associates and joint ventures	**(1 320 127)**	(1 328 767)	8 640
Net (loss)/profit from continuing operations	**(76 934)**	(514 315)	437 381
Core headline earnings	**34 700**	(420 784)	455 484
– from continuing operations	**34 700**	(420 784)	455 484
– from discontinued operations	**–**	–	–
Gross profit margin	**15.67%**		15.67%
EBITDA margin	**6.20%**		7.31%
Weighted average shares ('000)	**880 749**		880 749
Share performance from continuing operations			
EPS (cents)	**(8.74)**		49.66
HEPS (cents)	**2.09**		49.86
Core HEPS (cents)	**3.94**		51.72

▲ The extraneous contributions to Group earnings in the current year were primarily attributable to:

- the accounting treatment relating to the recapitalisation transaction of Cell C(1), emanating from:
  - finance income of R58 million;
  - finance costs of R90 million;
  - expected credit losses and fair value movements of R67 million;
  - loss on modification of a financial instrument of R65 million as a result of the CEC deferral amount of R1.1 billion, owing by Cell C, being renegotiated and reclassified from 'trade and other receivables' to 'loans to associates and joint ventures';
  - a partial reversal of R962.5 million relating to the initial impairment of R2.5 billion of Blue Label's investment in Cell C as at 31 May 2019, congruent with an improvement in its equity valuation; and
  - recognition of the Group's share of Cell C's net accumulated losses amounting to R2.2 billion for the period 1 June 2019 to 30 November 2022 limited to the extent of R1.328 billion, being the aggregate of the partial reversal of the initial impairment of R962.5 million of Blue Label's investment in Cell C, as well as additional investments therein amounting to R366 million.
- the accounting implications of the termination of the Airvantage put option obligation for the acquisition of up to 40% of the shares therein, resulted in a fair value gain of R22 million(2).

	Extraneous costs▲ November 2022 R'000	Recap of Cell C(1) November 2022 R'000	Once-offs(2) November 2022 R'000
Bad debts, expected credit losses and fair value movements	**(44 589)**	(66 589)	22 000
Loss on modification of financial instrument	**(64 500)**	(64 500)	–
EBITDA	**(109 089)**	(131 089)	22 000
Finance costs	**(89 747)**	(89 747)	–
Finance income	**57 906**	57 906	–
Reversal of impairments in associates	**962 531**	962 531	–
Share of losses from associates and joint ventures	**(1 328 767)**	(1 328 767)	–
Net (loss)/profit from continuing operations	**(514 315)**	(536 315)	22 000
Core headline earnings from continuing operations	**(420 784)**	(442 784)	22 000

Group November 2021 R'000	Extraneous income▲▲ November 2021 R'000	Remaining November 2021 R'000	Growth remaining R'000	Growth remaining %
9 112 874	–	9 112 874	710 269	8
1 360 927	–	1 360 927	178 708	13
323 959	315 132	8 827	6 244	71
(149 036)	–	(149 036)	69 567	47
–	–	–	–	
902 499	278 118	624 381	94 113	15
(68 290)	–	(68 290)	(89 728)	(131)
35 542	-	35 542	37 954	107
(60 350)	(52 167)	(8 183)	(576)	(7)
–	–	–	–	
9 566	–	9 566	(926)	(10)
530 440	147 923	382 517	54 864	14
548 831	148 934	399 897	55 587	14
547 820	147 923	399 897	55 587	14
1 011	1 011	–	–	
14.93%		14.93%		
9.90%		6.85%		
875 496		875 496		
60.59		43.69	5.97	14
60.74		43.85	6.01	14
62.57		45.68	6.04	13

▲▲ The extraneous contributions to Group earnings in the prior period were attributable to:
- once-off recoupment income of R148 million, comprising the aggregate value of assets either realised by or signed-over to the Group relating to the fraudulent scheme, partially offset by professional fees and other costs incurred, taxation and the non-controlling interest thereon[(3)]; and
- partial recoupment of losses of R1 million by the Retail division as a result of the closure of the WiConnect stores[(4)].

	Extraneous income▲▲ November 2021 R'000	Once-offs[(3)] November 2021 R'000	WiConnect[(4)] November 2021 R'000
Other income	315 132	315 132	–
EBITDA	278 118	278 118	–
Non-controlling interest	(52 167)	(52 167)	–
Net profit from continuing operations	147 923	147 923	–
Core headline earnings	148 934	147 923	1 011
– from continuing operations	147 923	147 923	–
– from discontinued operations	1 011	–	1 011

Commentary continued

EBITDA increased by R94 million (15%) from R624 million to R718 million, excluding the extraneous costs of R109 million in the current period and non-recurring income of R278 million in the prior period.

The anticipated increase in overheads, included costs of R70 million attributable to new learnership initiatives in the current period and R25 million in the prior period. 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 periods, EBITDA increased by R139 million (21%).

Segmental report

Africa distribution

	November 2022 R'000	Extraneous costs[1] November 2022 R'000	Remaining November 2022 R'000	November 2021 R'000	Extraneous income[3, 4] November 2021 R'000	Remaining November 2021 R'000	Growth remaining R'000	Growth remaining %
Revenue	**9 677 719**	–	9 677 719	8 986 965	–	8 986 965	690 754	8
Gross profit	**1 495 855**	–	1 495 855	1 330 473	–	1 330 473	165 382	12
Other income	**10 553**	–	10 553	320 511	315 132	5 379	5 174	96
Bad debts, expected credit losses and fair value movements	**(157 069)**	(66 589)	(90 480)	(148 495)	–	(148 495)	58 015	39
Loss on modification of financial instrument	**(64 500)**	(64 500)	–	–	–	–	–	
EBITDA	**614 468**	(131 089)	745 557	941 934	278 671	663 263	82 294	12
Finance costs	**(246 763)**	(89 747)	(157 016)	(66 213)	–	(66 213)	(90 803)	(137)
Finance income	**129 622**	57 906	71 716	35 114	–	35 114	36 602	104
Non-controlling interest	**(5 243)**	–	(5 243)	(56 661)	(52 167)	(4 494)	(749)	(17)
Reversal of impairments in associates	**962 531**	962 531	–	–	–	–	–	–
Share of (losses)/profits from associates and joint ventures	**(1 321 533)**	(1 328 767)	7 234	1 613	–	1 613	5 621	348
Net (loss)/profit from continuing operations	**(50 644)**	(536 315)	485 671	578 271	148 476	429 795	55 876	13
Core headline earnings	**60 988**	(442 784)	503 772	596 722	149 487	447 235	56 537	13
– from continuing operations	**60 988**	(442 784)	503 772	595 711	148 476	447 235	56 537	13
– from discontinued operations	**–**	–	–	1 011	1 011	–	–	
Gross profit margin	**15.46%**		15.46%	14.80%		14.80%		
EBITDA margin	**6.35%**		7.70%	10.48%		7.38%		

Revenue generated within the Africa distribution segment increased by R691 million (8%) from R9.0 billion to R9.7 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 R3.1 billion (9%) from R36.1 billion to R39.2 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 R423 million from R10.3 billion to R10.7 billion.

Although electricity revenue generated on behalf of the utilities increased by R1.13 billion (7%) from R15.93 billion to R17.06 billion, net commissions earned, calculated on a kW/hour usage basis, declined by R11 million (8%) to R142 million. NERSA electricity tariffs resulted in an increase in gross electricity revenue, however, the decline in commissions was primarily as a result of a decrease in electricity usage, emanating from a higher frequency of loadshedding, as well as margin compression.

Gross gaming revenue increased by R558 million (58%) from R956 million to R1.5 billion, with BluVoucher sales continuing to gain traction. Gross ticketing revenue increased by R285 million (152%) to R473 million, primarily as a result of revenue generated through commuter bus channels.

Gross profit increased by R165 million (12%) from R1.33 billion to R1.50 billion, congruent with an increase in margins from 14.80% to 15.46%.

Excluding the extraneous costs of R131 million relating to the Cell C recapitalisation transaction in the current period, and the once-off income of R279 million in the prior period, which included the non-recurring recoupment income, net of professional fees incurred, EBITDA increased by R82 million (12%) to R746 million. The EBITDA margin increased from 7.38% to 7.70%.

The anticipated increase in overheads, included costs of R64 million attributable to new learnership initiatives in the current period and R16 million in the prior period. On exclusion thereof, in both the current and prior periods, EBITDA increased by R131 million (19%).

Core headline earnings reflected extraneous costs of R443 million in the current period, relating to the recapitalisation transaction of Cell C, and R149 million in the prior period, pertaining to the net recoupment as a result of the fraudulent scheme.

Excluding the above extraneous costs and non-recurring income in the current and prior periods, core headline earnings increased by R57 million (13%) from R447 million to R504 million.

Solutions

This segment comprises Datacel, Blue Label Data Solutions (BLDS), the data aggregation and lead generation entity in which the Group owns 81%, a 50% joint venture shareholding owned by BLDS in I Talk Holdings and 37.5% in I Talk Financial Services, both of which are outbound call centre operations.

In addition, the following underlying companies form part of the solutions segment, namely, Blue Train, Blue Label Communications, One World Telecoms and I Talk2U.

	November 2022 R'000	November 2021 R'000	Growth remaining R'000	Growth remaining %
Revenue	**145 424**	125 909	19 515	15
EBITDA	**21 045**	7 584	13 461	177
Share of profits from associates and joint ventures	**1 405**	7 953	(6 548)	(82)
Core headline earnings	**18 077**	18 424	(347)	(2)
Gross profit margin	**30.11%**	24.19%		
EBITDA margin	**14.47%**	6.02%		

Increased demand for aggregated data, lead generations and SMS volumes resulted in an increase in revenue of 15% from R126 million to R145 million.

Gross profit increased by R13 million (44%) from R30 million to R44 million, congruent with the increase in revenue at higher margins from 24.19% to 30.11%.

EBITDA increased by R13 million (177%) from R8 million to R21 million, of which BLDS contributed R13 million. In the prior period, BLDS contributed R7 million and the call centre operations R1 million.

Of the core headline earnings of R18.1 million, BLDS accounted for R16.9 million, I Talk Holdings and I Talk Financial Services generated earnings of R4 million, of which the Group's share amounted to R0.8 million. Blue Label Communications generated earnings of R0.7 million, of which the Group's share amounted to R0.4 million.

Of the core headline earnings of R18.4 million in the prior period, BLDS accounted for R11.7 million. I Talk Holdings and I Talk Financial Services generated earnings of R6.1 million, of which the Group's share amounted to R2.7 million. Blue Train generated earnings of R6.2 million, of which the Group's share amounted to R4 million.

Commentary continued

Corporate

	November 2022 R'000	Extraneous income[2] November 2022 R'000	Remaining November 2022 R'000	November 2021 R'000	Growth remaining R'000	Growth remaining %
EBITDA	**(37 024)**	22 000	(59 024)	(46 144)	(12 880)	(28)
Net loss from continuing operations	**(52 338)**	22 000	(74 338)	(65 465)	(8 873)	(14)
Core headline earnings	**(52 334)**	22 000	(74 334)	(65 519)	(8 815)	(13)

Excluding the extraneous fair value movement of R22 million in the current period, the negative contribution to Group core headline earnings increased by R9 million (13%) to R74 million.

The extraneous fair value movements of R22 million in the current period related to the accounting implications of the termination of the Airvantage put option obligation for the acquisition of up to 40% of the shares therein.

Depreciation and amortisation

Depreciation, amortisation and impairment charges decreased by R1 million to R90 million. Of the latter amount, R35 million (2021: R32 million) pertained to depreciation on capital expenditure, R15 million (2021: R15 million) to depreciation raised in terms of IFRS 16 – *Leases*, R4 million (2021: R3 million) to impairments and R36 million (2021: R41 million) to the amortisation of intangible assets of which R22 million (2021: R22 million) emanated from purchase price allocations on historical acquisitions.

Finance costs

Finance costs increased by R180 million from R68 million to R248 million. Of the latter amount, R239 million related to interest paid on borrowed funds and R2 million to the unwinding of the lease liability in terms of IFRS 16. On a comparative basis, R59 million related to interest paid on borrowed funds and R3 million to the unwinding of the lease liability.

The recapitalisation transaction of Cell C, in September 2022, resulted in an additional R90 million incurred on finance costs due to an increase in borrowings relating to the airtime sale and repurchase obligations as well as for the issue of Class A Preference shares.

Excluding the recapitalisation interest above, finance costs increased by an additional R90 million from R68 million to R158 million. Of this increase, R94 million was as a result of Comm Equipment Company Proprietary Limited concluding a working capital financing facility of R1.9 billion in November 2021 with African Bank, which was fully utilised as at 30 November 2022. This increase was offset by a reduction of R5 million primarily attributable to a lower utilisation of the Group's working capital facility compared to the prior period.

Finance income

Finance income increased by R95 million from R36 million to R131 million.

Of the latter amount, R46 million was attributable to interest received on cash resources, R25 million to a loan to Cell C relating to the CEC R1.1 billion deferral amount, R58 million on a loan to Cell C as a result of the Debt Funding required as part of the recapitalisation transaction and R2 million on other loans granted.

In the prior period, interest received on cash resources amounted to R31 million and interest on other loans granted to R5 million.

Statement of financial position

Total assets increased by R1.5 billion to R14.9 billion, of which non-current assets accounted for R2.1 billion offset by a decline in current assets of R522 million.

Non-current assets included increases in loans to associates and joint ventures of R1.9 billion, investments in associates and joint ventures of R9 million, advances to customers of R112 million, deferred taxation assets of R54 million and capital expenditure net of depreciation of R46 million. These increases were offset by decreases of R8 million in right-of-use assets and R2 million of intangible assets and goodwill.

The increase of R1.9 billion in loans to associates and joint ventures primarily related to the recapitalisation of Cell C and comprised the following:

- Debt Funding of R1.03 billion which was required by Cell C to affect a compromise offer made by it to certain of its secured lenders. Of this amount, R915 million was accounted for as a loan to an associate and R118 million as an investment in Cell C, the latter being congruent with the fair value of the additional 9.53% shareholding acquired as part of the recapitalisation;

- A loan of R111 million originating from TPC's participation in the Reinvestment Instrument acquired at nominal value; and
- The CEC deferral amount, whereby an existing claim of R1.1 billion by it against Cell C was renegotiated to be repaid by the latter in 60 equal monthly capital instalments and was reclassified from trade and other receivables to loans to associates and joint ventures at its initial fair value of R1.035 billion. Of this amount, R221 million is accounted for in current assets.

The material net decrease in current assets included decreases in trade and other receivables of R2 billion, cash and cash equivalents of R454 million, offset by increases in inventory of R1.3 billion, advances to customers of R388 million and loans to associates of R221 million.

The decrease in trade and other receivables of R2 billion predominately related to a decline in CEC's trade receivable balances from Cell C. This decrease was attributable to the settlement of the obligation owing to CEC down to an amount of R1.1 billion with such deferral amount being reclassified to loans to associates and joint ventures. Excluding the trade debtors relating to CEC, the debtor's collection period increased to 35 days compared to 28 days for the year ended May 2022.

The increase in inventory of R1.3 billion was primarily attributable to the Group purchasing R1.2 billion of Cell C pre-paid airtime as part of the recapitalisation transaction. This purchase was necessitated in order to assist Cell C with its working capital requirements. The stock turn equated to 55 days. Excluding the inventory purchased to facilitate the recapitalisation transaction, stock turn improved to 25 days compared to 28 days for the financial year ended May 2022.

Net loss attributable to equity holders amounted to R77 million, resulting in accumulated capital and reserves of R4.1 billion.

Non-current liabilities increased by R2.3 billion, comprising an increase in borrowings of R2.3 billion relating to the airtime sale and repurchase obligations of R643 million, issuance of Class A preference shares of R169 million, an increase in the non-current portion of working capital facilities of R1.47 billion, in deferred taxation liabilities of R62 million, and in lease liabilities of R4 million.

Current liabilities decreased by R709 million, comprising a decrease in trade and other payables of R680 million, borrowings of R110 million and lease liabilities of R14 million. This decrease was offset by an increase in financial liabilities at fair value through profit and loss of R68 million and current tax liabilities of R27 million.

The decrease in trade and other payables of R680 million predominantly related to a decline in CEC's trade payable balance owing to Cell C, which occurred simultaneously to the decrease in trade receivables attributable to the settlement of the obligation to CEC to the amount of R1.1 billion. Average credit terms equated to 102 days compared to 124 days for the financial year ended 31 May 2022.

The net decrease of R110 million in current borrowings related to a decline in the current portion of working capital facilities of R742 million, resulting from the extension of the terms thereof and as such being accounted for as non-current borrowings. This decline was offset by the current portion of the airtime sale and repurchase obligations of R632 million.

The increase in financial liabilities held at fair value through profit and loss of R68 million related to the issuance of Class B Preference shares to the lenders and the recognition of the SPV5 derivative liability in terms of the recapitalisation transaction.

Statement of cash flows

Cash utilised in trading operations totalled R155 million. Working capital movements comprised an increase in inventory of R1.3 billion and advances to customers of R500 million, offset by a decreases in trade receivables of R962 million and trade payables of R181 million. After incurring net finance costs of R159 million and taxation of R80 million, net cash utilised in operating activities amounted to R394 million.

The increase in inventory of R1.3 billion was attributable to the Group purchasing R1.2 billion of Cell C pre-paid airtime as part of the recapitalisation transaction. Congruent with this acquisition of airtime, Cell C settled amounts owing to CEC resulting in a significant decrease in trade receivables of R962 million.

Net cash flows utilised in investing activities amounted to R2.2 billion, primarily attributable to the purchase of intangible assets of R758 million, net loans granted to associates of R998 million and an increase in the investment in Cell C of R366 million.

Of the R758 million invested in intangible assets, R383 million related to costs borne by the Group in terms of the subscription income sharing arrangement and R343 million to costs borne by the Group in terms of subscriber acquisition costs.

Commentary continued

The net loans granted to associates of R998 million included net loans of R993 million relating to Cell C. This amount comprised the R915 million Debt Funding and the R111 million originating from TPC's participation in the Reinvestment Instrument acquired at nominal value, offset by R33 million of capital repayments by Cell C.

The additional investment of R366 million comprised R25 million of notes acquired in SPV 1 which are secured by shares in Cell C, a loan of R223 million provided to SPV 4 which is secured by shares in Cell C and R118 million of the new money loan attributed to the acquisition of a further 9.53% of the issued share capital of Cell C.

Cash flows generated from financing activities amounted to R2.14 billion, of which R2.16 billion related to the net increase in borrowings and R67 million to the issue of class B preference shares, the proceeds of which were applied to the Cell C recapitalisation transaction. These amounts were offset by R20 million to lease payments, and R66 million to the purchase of treasury shares.

Cash and cash equivalents accumulated to R2.3 billion at 30 November 2022.

Forfeitable share scheme

Forfeitable shares totalling 10 470 826 (2021: Nil) were issued to qualifying employees. During the year, 1 104 557 (2021: 3 972 259) shares were forfeited and 16 764 722 (2021: Nil) shares vested.

No forfeitable shares were awarded or vested to qualifying employees during the prior period under review, due to the Group being in a closed period.

Events after the reporting date

An announcement was released on 6 February 2023, stating that SNG Grant Thornton ("SNG") replaced PwC as the external auditors of Blue Label, with Mr A Philippou as the designated individual audit partner. The change in external auditors is in alignment with the principles of good governance and early adoption of mandatory audit firm rotation, whereby audit firms shall not serve as the appointed auditor of a public interest entity for more than 10 consecutive years, with effect from 1 April 2023. The acceleration of the mandatory audit firm rotation was prudent in order to achieve future cost savings and efficiencies, as SNG are Cell C's auditors, and to ensure alignment with them relating to the audit of the recapitalisation transaction of Cell C from inception thereof.

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 and MS Levy
Joint Chief Executive Officers

DA Suntup* CA(SA)
Financial Director

23 February 2023

* Supervised the preparation of the Group's unaudited six-month period ended results.

Financial performance
Condensed Group statement of comprehensive income

For the six months ended	Note	30 November 2022 Unaudited R'000	30 November 2021 Unaudited R'000
Continuing operations			
Revenue		**9 627 700**	8 914 291
Finance Revenue		**195 443**	198 583
Total Revenue	4	**9 823 143**	9 112 874
Other income		**15 071**	323 959
Changes in inventories of finished goods		**(8 283 508)**	(7 734 055)
Finance costs incurred in the generation of revenue		**–**	(17 892)
Employee compensation and benefit expense		**(440 766)**	(326 423)
Depreciation and amortisation		**(90 061)**	(90 657)
Bad debts, expected credit losses and fair value movements		**(124 058)**	(149 036)
Loss on modification of financial instrument		**(64 500)**	–
Other expenses		**(315 977)**	(306 928)
Operating profit		**519 344**	811 842
Finance costs		**(247 765)**	(68 290)
Finance income		**131 402**	35 542
Reversal of impairment of investment in associate	7	**962 531**	–
Share of (losses)/profits from associates and joint ventures	7	**(1 320 127)**	9 566
Profit before taxation		**45 385**	788 660
Taxation		**(113 560)**	(197 870)
(Loss)/profit from continuing operations for the period		**(68 175)**	590 790
Profit from discontinued operations		**–**	1 011
(Loss)/profit for the period		**(68 175)**	591 801
Other comprehensive profit:			
Items reclassified to profit or loss		**–**	–
Items that may be subsequently reclassified to profit or loss			
Share of other comprehensive income of associates and joint ventures		**723**	1 529
Gain on hedging instruments reclassified to profit and loss		**1 199**	2 958
Other comprehensive income for the period, net of tax		**1 922**	4 487
Total comprehensive (loss)/income for the period		**(66 253)**	596 288
(Loss)/profit for the period attributable to:		**(68 175)**	591 801
Equity holders of the parent		**(76 934)**	531 451
Non-controlling interest		**8 759**	60 350
(Loss)/profit for the period attributable to equity holders of the parent arises from:		**(76 934)**	531 451
Continuing operations		**(76 934)**	530 440
Discontinued operations		**–**	1 011
Total comprehensive (loss)/income for the period attributable to:		**(66 253)**	596 288
Equity holders of the parent		**(75 012)**	535 938
Non-controlling interest		**8 759**	60 350
Total comprehensive (loss)/income for the period attributable to equity holders of the parent arises from:		**(75 012)**	535 938
Continuing operations		**(75 012)**	534 927
Discontinued operations		**–**	1 011
Earnings per share (cents)	2	**(8.74)**	60.71
Continuing operations		**(8.74)**	60.59
Discontinued operations		**–**	0.12
Diluted earnings per share (cents)	2	**(8.74)**	58.61
Continuing operations		**(8.74)**	58.50
Discontinued operations		**–**	0.11

Financial performance continued

Condensed Group statement of financial position

As at	Note	30 November 2022 Unaudited R'000	31 May 2022 Audited R'000
ASSETS			
Non-current assets		**5 558 208**	3 499 479
Property, plant and equipment		**241 576**	195 313
Right-of-use assets		**27 793**	36 266
Intangible assets		**1 663 965**	1 665 549
Goodwill		**681 754**	681 754
Investments in associates and joint ventures[1]	7	**85 509**	76 147
Loans to associates and joint ventures[1]	7	**1 875 155**	22 745
Loans receivable		**44 935**	48 913
Advances to customers		**659 699**	547 711
Financial assets at fair value through profit or loss	6	**140 894**	133 293
Financial assets at fair value through other comprehensive income		**–**	8 536
Deferred taxation assets		**136 928**	83 252
Current assets		**9 307 484**	9 829 505
Loans to associates and joint ventures[1]	7	**246 728**	25 858
Inventories*		**2 477 864**	1 143 372
Loans receivable		**33 708**	32 801
Trade and other receivables		**2 714 993**	4 743 338
Advances to customers		**1 507 612**	1 119 827
Financial assets at fair value through profit or loss	6	**17 879**	14 008
Financial assets at fair value through other comprehensive income		**22 547**	11 688
Current tax assets		**16 200**	15 022
Cash and cash equivalents		**2 269 953**	2 723 591
Total assets		**14 865 692**	13 328 984
EQUITY AND LIABILITIES			
Capital and reserves		**4 084 210**	4 187 598
Issued share capital and premium		**7 521 249**	7 544 531
Other reserves		**(2 883 102)**	(2 871 437)
Retained earnings		**(662 241)**	(585 307)
Total ordinary shareholders' equity		**3 975 906**	4 087 787
Non-controlling interest		**108 304**	99 811
Non-current liabilities		**3 133 121**	783 878
Deferred taxation liabilities		**361 894**	299 909
Non-current lease liability		**13 798**	9 498
Borrowings	5	**2 757 429**	474 471
Current liabilities		**7 648 361**	8 357 508
Trade and other payables		**5 412 987**	6 069 027
Deferred revenue		**89 357**	113 367
Lease liability		**23 384**	37 384
Financial liabilities at fair value through profit or loss	6	**90 358**	22 200
Current tax liabilities		**47 992**	21 467
Borrowings	5	**1 984 139**	2 094 000
Bank overdraft		**144**	63
Total equity and liabilities		**14 865 692**	13 328 984

* Refer to the "Restricted inventory" section in Note 7 (page 29).

[1] In order to achieve enhanced disclosure, investments in associates and joint ventures have been disaggregated from loans to associates and joint ventures. The loans are not considered to be part of the net investment.

Financial performance continued

Condensed Group statement of changes in equity

	Issued share capital and premium Audited R'000	Retained earnings Audited R'000	Other reserves Audited R'000	Total ordinary shareholders' equity Audited R'000	Non-controlling interest Audited R'000	Total equity Audited R'000
Balance as at 1 June 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

	Issued share capital and premium Unaudited R'000	**Retained earnings Unaudited R'000**	**Other reserves Unaudited R'000**	**Total ordinary shareholders' equity Unaudited R'000**	**Non-controlling interest Unaudited R'000**	**Total equity Unaudited R'000**
Balance as at 1 June 2022	**7 544 531**	**(585 307)**	**(2 871 437)**	**4 087 787**	**99 811**	**4 187 598**
Loss for the period	**–**	**(76 934)**	**–**	**(76 934)**	**8 759**	**(68 175)**
Other comprehensive income	**–**	**–**	**1 922**	**1 922**	**–**	**1 922**
Total comprehensive loss	**–**	**(76 934)**	**1 922**	**(75 012)**	**8 759**	**(66 253)**
Treasury shares purchased	**(66 032)**	**–**	**–**	**(66 032)**	**–**	**(66 032)**
Equity compensation benefit scheme shares vested	**42 750**	**–**	**(41 424)**	**1 326**	**(1 326)**	**–**
Equity compensation benefit movement	**–**	**–**	**27 878**	**27 878**	**1 019**	**28 897**
Acquisition of non-controlling interest	**–**	**–**	**(41)**	**(41)**	**41**	**–**
Balance as at 30 November 2022	**7 521 249**	**(662 241)**	**(2 883 102)**	**3 975 906**	**108 304**	**4 084 210**

* In the prior period, on 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.

Financial performance continued

Condensed Group statement of cash flows

For the six months ended	**30 November 2022 Unaudited R'000**	30 November 2021 Unaudited R'000
Cash flows from operating activities		
Cash (utilised)/generated by operations	**(154 649)**	953 746
Interest received	**77 080**	35 542
Interest paid	**(236 111)**	(68 384)
Taxation paid	**(80 478)**	(59 117)
Net cash (utilised in)/generated from operating activities	**(394 158)**	861 787
Cash flows from investing activities		
Acquisition of intangible assets and property, plant and equipment*	**(844 520)**	(436 656)
Additional investment in associate	**(366 236)**	(5 340)
Loans advanced to associates and joint ventures	**(998 047)**	(15 303)
Loans receivable repaid	**2 889**	295
Other investing activities	**3 056**	3 252
Net cash utilised in investing activities	**(2 202 858)**	(453 752)
Cash flows from financing activities		
Interest-bearing borrowings raised**	**2 162 810**	157 250
Issuance of Class B preference shares	**66 859**	–
Lease repayments	**(20 339)**	(18 894)
Acquisition of treasury shares***	**(66 033)**	–
Dividends paid to non-controlling interest	**–**	(21 200)
Net cash generated by financing activities	**2 143 297**	117 156
Net (decrease)/ increase in cash and cash equivalents	**(453 719)**	525 191
Cash and cash equivalents at the beginning of the period	**2 723 528**	2 417 207
Cash and cash equivalents at the end of the period	**2 269 809**	2 942 398

* Acquisitions of intangible assets in the current period include significant cash outflows of R726 million (2021: R386 million) relating to the subscription income sharing arrangement and subscriber acquisition costs.

** Included in interest-bearing borrowings raised is R165 million relating to the issuance of class A preference shares which, due to their nature, have been classified as interest-bearing borrowings (refer to note 7) (page 25).

*** Approximately 10 million shares were repurchased over the period from 25 August 2022 to 19 September 2022 at a weighted average price of R6.58 per share.

Financial performance continued

Notes to the financial statements

1. Headline earnings

For the six months ended	Total 30 November 2022 Unaudited R'000	Total 30 November 2021 Unaudited R'000	Continuing operations 30 November 2022 Unaudited R'000	Continuing operations 30 November 2021 Unaudited R'000	Discontinued operations 30 November 2022 Unaudited R'000	Discontinued operations 30 November 2021 Unaudited R'000
(Loss)/profit attributable to equity holders of the parent	**(76 934)**	531 451	**(76 934)**	530 440	**–**	1 011
Net profit on disposal of property, plant and equipment	**(853)**	(244)	**(853)**	(244)	**–**	–
Net profit on disposal of intangible assets	**–**	(270)	**–**	(270)	**–**	–
Impairment of property, plant and equipment	**2 680**	1 887	**2 680**	1 887	**–**	–
Reversal of impairment of investment in associate	**(962 531)**	–	**(962 531)**	–	**–**	–
Net loss on disposal of property, plant and equipment in associate/joint venture*	**5 991**	–	**5 991**	–	**–**	–
Impairment of property, plant and equipment in associate*	**330 129**	–	**330 129**	–	**–**	–
Impairment of intangible assets in associate*	**516 009**	–	**516 009**	–	**–**	–
Impairment of right-of-use assets in associate*	**203 889**	–	**203 889**	–	**–**	–
Headline earnings	**18 380**	532 824	**18 380**	531 813	**–**	1 011
Headline earnings per share (cents)	**2.09**	60.86	**2.09**	60.74	**–**	0.12

* Net loss on disposal of property, plant and equipment, impairment of property plant and equipment, impairment of intangible assets and impairment of right-of-use assets represents the Groups proportional share of impairments/(profit)/loss on disposals incurred by Cell C relating to historical unrecognised losses.

Financial performance continued

Notes to the financial statements continued

2. Share performance

	Total			
	Attributable earnings		Cents per share	
For the six months ended	**30 November 2022 Unaudited R'000**	30 November 2021 Unaudited R'000	**30 November 2022 Unaudited**	30 November 2021 Unaudited
Headline earnings				
Basic	**18 380**	532 824	**2.09**	60.86
Diluted	**18 380**	532 824	**2.07**	58.76
Core	**34 700**	548 831	**3.94**	62.69
Earnings attributable to ordinary equity holders				
Basic	**(76 934)**	531 451	**(8.74)**	60.71
Diluted	**(76 934)**	531 451	**(8.74)**	58.61
Weighted average number of shares				
Weighted average number of ordinary shares	**880 748 605**	875 496 083		
Adjusted for forfeitable shares	**8 975 234**	31 243 614		
Weighted average number of ordinary shares for diluted earnings	**889 723 839**	906 739 697		
Number of shares in issue	**913 655 874**	913 655 874		
Number of shares in issue excluding treasury shares	**881 768 827**	876 453 719		
Reconciliation between profit and core headline earnings for the period:				
(Loss)/profit for the period attributable to equity holders of the parent	**(76 934)**	531 451		
Amortisation on intangible assets raised through business combinations net of tax and net of non-controlling interest	**16 320**	16 007		
Core (loss)/profit for the period	**(60 614)**	547 458		
Headline earnings adjustments	**95 314**	1 373		
Core headline earnings	**34 700**	548 831		
Core headline earnings per share (cents)	**3.94**	62.69		

Financial performance continued

Notes to the financial statements continued

Continuing operations				Discontinued operations			
Attributable earnings		Cents per share		Attributable earnings		Cents per share	
30 November 2022 Unaudited R'000	30 November 2021 Unaudited R'000	**30 November 2022 Unaudited**	30 November 2021 Unaudited	**30 November 2022 Unaudited R'000**	30 November 2021 Unaudited R'000	**30 November 2022 Unaudited**	30 November 2021 Unaudited
18 380	531 813	**2.09**	60.74	**–**	1 011	**–**	0.12
18 380	531 813	**2.07**	58.65	**–**	1 011	**–**	0.11
34 700	547 820	**3.94**	62.57	**–**	1 011	**–**	0.12
(76 934)	530 440	**(8.74)**	60.59	**–**	1 011	**–**	0.12
(76 934)	530 440	**(8.74)**	58.50	**–**	1 011	**–**	0.11
880 748 605	875 496 083			**880 748 605**	875 496 083		
8 975 234	31 243 614			**8 975 234**	31 243 614		
889 723 839	906 739 697			**889 723 839**	906 739 697		
913 655 874	913 655 874			**913 655 874**	913 655 874		
881 768 827	876 453 719			**881 768 827**	876 453 719		
(76 934)	530 440			**–**	1 011		
16 320	16 007			**–**	–		
(60 614)	546 447			**–**	1 011		
95 314	1 373			**–**	–		
34 700	547 820			**–**	1 011		
3.94	62.57			**–**	0.12		

Financial performance continued

Notes to the financial statements continued

3. Segmental summary

For the six months ended 30 November 2022	**Total Unaudited R'000**	**Africa Distribution Unaudited R'000**	**Inter–national Unaudited R'000**	**Solutions Unaudited R'000**	**Corporate Unaudited R'000**
Continuing operations					
Total segment revenue	**12 957 780**	**12 700 132**	**–**	**145 569**	**112 079**
Internal revenue	**(3 134 637)**	**(3 022 413)**	**–**	**(145)**	**(112 079)**
Revenue	**9 823 143**	**9 677 719**	**–**	**145 424**	**–**
Operating profit/(loss) before depreciation and amortisation	**609 405**	**614 468**	**10 916**	**21 045**	**(37 024)**
(Loss)/profit for the period from continuing operations attributable to equity holders of the parent	**(76 934)**	**(50 644)**	**7 969**	**18 079**	**(52 338)**
Amortisation of intangibles raised through business combinations net of tax and non-controlling interest	**16 320**	**16 320**	**–**	**–**	**–**
Headline earnings adjustments	**95 314**	**95 312**	**–**	**(2)**	**4**
Core headline earnings for the period	**34 700**	**60 988**	**7 969**	**18 077**	**(52 334)**

For the six months ended 30 November 2021	Total Unaudited R'000	Africa Distribution Unaudited R'000	Inter–national Unaudited R'000	Solutions Unaudited R'000	Corporate Unaudited R'000
Continuing operations					
Total segment revenue	12 617 920	12 326 227	–	126 460	165 233
Internal revenue	(3 505 046)	(3 339 262)	–	(551)	(165 233)
Revenue	9 112 874	8 986 965	–	125 909	–
Operating profit/(loss) before depreciation and amortisation	902 499	941 935	(876)	7 584	(46 144)
Profit/(loss) for the period from continuing operations attributable to equity holders of the parent	530 440	578 271	(796)	18 430	(65 465)
Profit for the period from discontinued operations attributable to equity holders of the parent	1 011	1 011	–	–	–
Profit/(loss) for the period attributable to equity holders of the parent	531 451	579 282	(796)	18 430	(65 465)
Amortisation of intangibles raised through business combinations net of tax and non-controlling interest	16 007	16 007	–	–	–
Headline earnings adjustments	1 373	1 433	–	(6)	(54)
Core headline earnings for the period	548 831	596 722	(796)	18 424	(65 519)

Financial performance continued

Notes to the financial statements continued

4. Revenue

	Total		Africa Distribution		Solutions	
	30 November 2022 Unaudited R'000	30 November 2021 Unaudited R'000	30 November 2022 Unaudited R'000	30 November 2021 Unaudited R'000	30 November 2022 Unaudited R'000	30 November 2021 Unaudited R'000
Revenue from contracts with customers	**7 998 391**	8 627 886	**7 852 967**	8 501 977	**145 424**	125 909
Prepaid airtime, data and related revenue	**6 873 196**	7 595 115	**6 873 196**	7 595 115	**–**	–
Postpaid airtime, data and related revenue	**73 633**	45 696	**73 633**	45 696	**–**	–
Prepaid and postpaid SIM cards	**238 602**	258 042	**238 602**	258 042	**–**	–
Services	**230 633**	200 132	**85 209**	74 223	**145 424**	125 909
Electricity commission	**158 895**	177 066	**158 895**	177 066	**–**	–
Handsets, tablets and other devices	**134 607**	154 966	**134 607**	154 966	**–**	–
Other revenue*	**288 825**	196 869	**288 825**	196 869	**–**	–
Subscription income share	**1 629 309**	286 405	**1 629 309**	286 405	**–**	–
Revenue	**9 627 700**	8 914 291	**9 482 276**	8 788 382	**145 424**	125 909
Finance revenue	**195 443**	198 583	**195 443**	198 583	**–**	–
Total revenue	**9 823 143**	9 112 874	**9 677 719**	8 986 965	**145 424**	125 909

* 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.

Financial performance continued

Notes to the financial statements continued

5. 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 period-end.

	30 November 2022 Unaudited R'000	31 May 2022 Audited R'000
Interest-bearing borrowings	**4 740 849**	2 567 752
Non-interest-bearing borrowings	**719**	719
	4 741 568	2 568 471
Current and non-current amount of borrowings:		
Total borrowings	**4 741 568**	2 568 471
Amounts included in non-current portion of borrowings	**2 757 429**	474 471
Amounts included in current portion of borrowings	**1 984 139**	2 094 000
Categories of borrowings:		
Total borrowings	**4 741 568**	2 568 471
Facilities	**3 293 230**	2 564 926
Airtime repurchase obligations (refer to note 7) (pages 25 and 26)	**1 275 624**	–
Class A preference shares	**169 169**	–
Other third party borrowings	**3 545**	3 545

The table below details the facilities drawn upon at 30 November 2022.

	Facility utilised	
	30 November 2022 Unaudited R'000	31 May 2022 Audited R'000
General banking facility – Investec Bank Limited	**350 441**	–
General banking facility – FirstRand Bank Limited	**152 000**	–
Facility A – Investec Bank Limited	**660 000**	941 584
Facility B – FirstRand Bank Limited	**240 000**	–
African Bank Limited	**1 890 789**	1 623 342
	3 293 230	2 564 926

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

Financial performance continued

Notes to the financial statements continued

5. Borrowings continued

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 2021	1 704 374	2 778	1 707 152
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
Interest-bearing borrowings raised	**–**	**2 282 958**	**2 282 958**
Interest accrued on interest-bearing borrowings	**213 262**	**–**	**213 262**
Interest-bearing borrowings capital repaid	**(120 149)**	**–**	**(120 149)**
Interest-bearing borrowings interest repaid	**(202 974)**	**–**	**(202 974)**
Closing balance as at 30 November 2022	**1 984 139**	**2 757 429**	**4 741 568**

Financial performance continued

Notes to the financial statements continued

6. Financial instruments

Substantially all financial instruments at fair value through profit and loss are classified as level 3 instruments in the fair value hierarchy. Changes in the instruments are as follows:

	Surety loan receivable R'000	Loans receivable R'000	SPV 5 derivative liability R'000	Class B preference shares R'000	Derivative liability R'000	Other R'000	Total R'000
Opening balance as at 1 June 2022	96 572	50 729	–	–	(22 000)	(200)	125 101
Additions	–	–	(13 214)	(66 859)	–	(10 285)	(90 358)
Repayments	–	(4 529)	–	–	–	–	(4 529)
Fair value gain recognised in profit or loss	11 273	4 728	–	–	22 000	200	38 201
Closing balance as at 30 November 2022	107 845	50 928	(13 214)	(66 859)	–	(10 285)	68 415
Financial assets at fair value through profit or loss – included in current assets	–	17 879	–	–	–	–	17 879
Financial assets at fair value through profit or loss – included in non-current assets	107 845	33 049	–	–	–	–	140 894
Financial liabilities at fair value through profit or loss – included in current liabilities	–	–	(13 214)	(66 859)	–	(10 285)	(90 358)
	107 845	50 928	(13 214)	(66 859)	–	(10 285)	68 415
Unrealised gains	11 273	199	–	–	–	200	11 672

Surety loans receivable

Surety loans relate to the personal sureties that B Levy and M Levy signed for the US Dollar denominated 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). In November 2021 the payment terms for the surety loans were renegotiated, with the payments being agreed as instalments payable annually commencing on 30 September 2023 and ending on 30 September 2030.

Loans at fair value

As part of the fraud recoupment, the Group received the right to a loan, amounting to R73 million, advanced to a third party. The loan bears interest at prime overdraft rate and is repayable by 30 June 2026. Interest was payable up to 30 June 2022 and thereafter interest and capital are payable. In addition to the interest payments required, the borrower had the right to pay R10 million capital by 1 July 2022 in return for a R4.2 million discount in the capital amount of the loan. It is the Group's view that this right results in the contractual cash flows failing to meet the requirements for amortised cost accounting, causing the loan to be measured at fair value through profit or loss. This right was not exercised. The fair value of the loan reflects a market-related interest rate of prime plus 5% and credit risk-adjusted expected cash flows.

Financial performance continued

Notes to the financial statements continued

6. Financial instruments continued

SPV 5 derivative liability

A debt owing to a lessor by Cell C was transferred into a new special purpose vehicle (SPV 5) in exchange for a 10% shareholding in Cell C (being the only asset of the SPV). SPV 5 is required to repay the debt of R275 million in tranches from 31 December 2024 to December 2026. BLT issued a guarantee in favour of the lessor for the repayment of its debt, and TPC has committed to provide SPV 5 with the necessary funding as and when it is required to make the payments of R275 million to the lessor, in return for a claim of R699 million in SPV 5. TPC's loan will be repayable on demand at an amount equal to: i) the capital advanced of R275 million, plus ii) R424 million, plus iii) 50% of the fair value of the Cell C shares held by SPV 5 in excess of i) and ii).

The Cell C shares held by SPV 5 are pledged as security in favour of TPC, however, SPV 5 is permitted to sell the Cell C shares prior to TPC advancing it any funds provided that the net proceeds exceed R375 million. If SPV 5 disposes of its shares in Cell C, then R275 million of the net proceeds needs to be used to settle the lessor and R100 million is to be paid to TPC as an irrevocable and unconditional break fee. Once TPC has advanced funds to SPV 5, SPV 5 is precluded from selling the Cell C shares without TPC's consent, but TPC has no rights with respect to directing the voting rights attached to the shares. In the event of default, TPC would be able to acquire the 10% shareholding in Cell C in settlement of its loan, but only with the prior approval of the Competition Commission of South Africa and ICASA as such acquisition would result in TPC acquiring control of Cell C. Such rights are not substantive as the Group does not have the practical ability to exercise its rights as it relates to SPV 5.

When the funds are advanced by TPC to SPV 5 they will be treated as an additional 10% investment (without voting rights) in Cell C because the shares in Cell C are the only means that the SPV has with which to repay TPC's loan. As a result, TPC's loan commitment is an in-substance written put option over the economic interest of SPV 5's shareholding in Cell C, which meets the definition of a derivative. Accordingly, TPC has accounted for its loan commitment to SPV 5 as a derivative at fair value through profit or loss. The derivative is initially recognised by the Group at fair value and subsequently measured at fair value through profit or loss.

Class B preference shares

TPC issued Class B Preference Shares to the funders for a nominal issue price (refer to note 7 on page 25, for more information in this regard). The shares are redeemable at the issue price, carry a mandatory preference dividend, and have no other participation rights. The preference dividend is indexed to 10.01% of TPC's shareholding in Cell C immediately after the Cell C recapitalisation, which is equivalent to a 5% shareholding in Cell C. TPC has no obligation to pay any preference dividend unless the equivalent amount is received from Cell C or from an exit event.

Given that the indexation of the cash flows under the Class B Preference Shares to a 5% shareholding in Cell C results in them containing an embedded derivative which would otherwise need to be stripped out and accounted for separately, the Class B Preference Shares have been designated to be financial liabilities at fair value through profit or loss. The preference shares are initially recognised by the Group at fair value and subsequently measured at fair value through profit or loss.

Derivative liability

On 15 December 2021, BLT concluded a put option agreement with Digital Ecosystems Proprietary Limited (DE), formerly Blue Label Mobile Proprietary Limited, in terms of which DE acquired the right to put up to 40% of the shares in Airvantage to BLT no earlier than 15 December 2022 for a maximum amount of R110 million. If Cell C Limited, through a Board resolution, passes a solvency and liquidity test prior to 15 December 2022, the put option will be terminated.

On 26 August 2022, in anticipation of the Cell C recapitalisation, the put obligation was terminated by DE.

Financial performance continued

Notes to the financial statements continued

7. Investments in and loans to associates and joint ventures

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.

As at 30 November 2022, an internal valuation of Cell C reflected a recovery to a value of R1.5 billion.

Critical accounting judgements and assumptions

(a) Assessment of investment in associates and joint ventures for impairment

The Group tests annually whether investment in associates and joint ventures has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of the investment in associates and joint ventures have been determined based on value-in-use calculations. These calculations require the use of estimates.

(b) Classification of significant associates

Assessment of control over Cell C

BLT holds 49.53% of the shareholder voting rights of Cell C and is able to appoint four out of 12 on the Cell C Board of Directors, where each director has one vote. It has been determined that the Cell C Board makes the decisions about the activities that significantly affect the returns of Cell C (the relevant activities).

As a result of loans made by TPC to SPV 1 and SPV 4, TPC is entitled to obtain additional shares comprising 13.66% in aggregate in Cell C at any time from the SPVs in settlement of the loans. Should TPC wish to obtain any of these additional shares, and hence the corresponding voting rights, the Group's external legal advisors have advised that it can only do so lawfully with the prior approvals of the Competition Commission and ICASA – as acquiring additional voting rights would result in TPC obtaining control over Cell C. According to the Group's external legal advisors, it is unlawful to give effect to a transaction that requires the approval of the Competition Commission before such approval is granted, and doing so could result in the transaction being set aside. Furthermore, the granting of the regulatory approvals is not a formality or within TPC's control, hence TPC does not, on its own, have the practical ability to obtain any additional shares (and voting rights). Therefore, management has concluded that TPC's rights under the loan agreements to obtain additional Cell C shares are not substantive until such approvals have been granted. Consequently, the potential voting rights of 13.66% have been excluded from the assessment of whether the Group has control over Cell C.

SPV 1 and SPV 4 hold the voting rights attached to the aggregate 13.66% equity interest. Even though TPC bears the economic risks and rewards of these shares (subject to upper limits of the amounts repayable under the loans), it does not have the ability to direct the way in which the corresponding voting rights in Cell C are exercised. These decisions lie with the Directors of SPV 1 and SPV 4, which are appointed by Albanta Trading 109 Proprietary Limited (Albanta), over which BLT has no control.

Although the SPVs will only benefit from the aggregate 13.66% equity interest in Cell C to the extent that they realise more than the amounts repayable to TPC under the loans, whether they exercise their Cell C voting rights in line with the way that TPC exercises its 49.53% Cell C voting rights or not, management is of the view that this would not affect the SPVs in any way. Similarly, whether the SPVs vote in line with TPC or not, management is of the view that this would have no impact on whether TPC chooses to obtain the additional shares in settlement of its loans, subject to receiving the requisite regulatory approvals. Since management is of the view that the SPVs do not have any incentive to exercise their Cell C voting rights in the way that TPC would want them to such that TPC can rely on them to do so, it has been concluded that the SPVs are not de facto agents of TPC. Furthermore, Albanta holds other shares (5.50%) in Cell C therefore management believes that Albanta would exercise all its Cell C voting rights in the same way and management is of the view that there is no incentive or reason why Albanta would necessarily vote in line with TPC.

Based on historical attendance at Cell C shareholder meetings, the fact that the shares of Cell C are not widely held (there are only nine shareholders currently; six if one recognises that SPV 1, SPV 4 and SPV 5 are all subsidiaries of Albanta), and that Gramercy and Nedbank now hold 7.53% and 6.09% of Cell C, respectively, management is of the view that there is currently no basis for concluding that TPC has de facto control of Cell C at a shareholder level. Furthermore, it is the Memorandum of Incorporation (MOI) of Cell C that enables TPC to appoint only four of the 12 Directors, and changes to the MOI require shareholder approval of at least 82% including that of Gramercy and Nedbank, for as long as they are permitted to appoint a director to the Cell C Board. Therefore, even if TPC had de facto control at a shareholder level, it could not, on its own, change the MOI to enable it to appoint the majority of the directors. Management has thus concluded that the Group does not have control over Cell C and continues to exercise significant influence. Therefore the Group continues to account for Cell C as an associate.

Financial performance continued

Notes to the financial statements continued

7. Investments in and loans to associates and joint ventures continued

Cell C Limited continued

(c) Going concern of Cell C

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 has positively impacted the cost base and anticipated future cash flows.

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.

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.

Cell C has implemented a turnaround strategy, focusing on operational efficiencies, reducing operational expenditure and optimising traffic. This includes a significant reduction in capital expenditure and a conversion of a fixed cost infrastructure-based network to a variable operational expenditure model. This, together with the recapitalisation of the current debt structure (refer below for further information in this regard), will result in a significant improvement of its liquidity and ensure the long-term sustainability of Cell C.

Recapitalisation Transaction

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 were intended to be utilised for the recapitalisation of Cell C. This arrangement was subject to the conclusion of all legal documentation and fulfilment of all conditions precedent under such legal documentation, which occurred at the end of September 2022. On 15 March 2022, Blue Label concluded a non-binding term sheet (Umbrella Restructure Term Sheet) with Cell C and various Cell C financial stakeholders (including certain shareholders and creditors of Cell C). In terms of the Umbrella Restructure Term Sheet, Cell C was to be restructured and refinanced (the Recapitalisation 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 was non-binding, save for stand-still provisions and certain provisions of a general nature which were binding. The binding long-term agreements and the recapitalisation process, the completion of which endured for longer than initially anticipated, was effective and closed end September 2022.

The salient terms of the Recapitalisation 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 loaned to Cell C an amount required to affect a compromise offer made by Cell C to certain of its secured lenders of a maximum amount of up to R1.46 billion (TPC Debt Funding). TPC's actual funding obligation in respect of the compromise offer, however, amounted to R1.03 billion. The TPC Debt Funding was provided by TPC to Cell C in the form of a secured loan. Cell C utilised the TPC Debt Funding to settle the claims of secured lenders by paying an amount of 20c to the rand.

Financial performance continued

Notes to the financial statements continued

7. Investments in and loans to associates and joint ventures continued

Cell C Limited continued

Certain secured lenders indicated that they wish to remain invested in Cell C. These secured lenders were 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 is interest bearing and secured, has an aggregate capital face value equal to 2.75 times of the amount advanced. In addition, the participating lenders were entitled to share pro-rata in a fresh issue of ordinary shares in Cell C at a nominal value. All shareholders of Cell C diluted 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, pursuant to a rights issue at nominal value, allotted and issued 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 holds 49.53% of the shares in Cell C, inclusive of those shares which TPC were entitled to, pursuant to the Reinvestment Instrument.

In addition, CEC (a wholly owned subsidiary of TPC) deferred an amount of R1.1 billion owed by Cell C and some of its subsidiaries to it on the date of implementation of the Recapitalisation Transaction, which amount will be repaid in equal monthly instalments over 60 months.

Liquidity requirements

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

- purchased Cell C prepaid airtime for a purchase price of R1.2 billion (inclusive of VAT) on the Effective Date of the Recapitalisation Transaction; and
- will purchase, by way of four further quarterly payments of R300 million (inclusive of VAT), additional prepaid 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, TPC undertook to purchase certain minimum levels of prepaid airtime from Cell C in accordance with an agreed monthly schedule or otherwise in accordance with market requirements.

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

Other inter-related transactions

In addition to the conclusion of Recapitalisation Transaction, the following transactions were concluded. Under these further agreements TPC:

- acquired from certain funders to Cell C their right to reinvest in the Reinvestment Instrument for a purchase consideration of R1 from each such funder. Following such acquisition by TPC of such rights, TPC invested an aggregate amount of R111 million into Cell C via the Reinvestment Instrument;
- acquired debt notes in Cedar Cellular Investment 1 (RF) Proprietary Limited (SPV 1), a shareholder in Cell C, for a purchase consideration of USD500,000 plus R16 million;
- acquired a credit claim of USD6 million against Cell C for an amount of USD4 million. This claim was subject to a compromise as between TPC and Cell C;
- acquired certain trade claims against Cell C, which claims were acquired for an aggregate amount of R12 million plus USD2.2 million and were then subject to a compromise as between TPC and Cell C;
- advanced an amount of R223 million to K2021889191 (South Africa) Proprietary Limited (SPV4), which amount SPV4 utilised to acquire from the joint liquidators of Magnolia Cellular Investments 2 (RF) Proprietary Limited (in liquidation) (SPV2), shares in Cell C owned by SPV2, such shares being 5.47% of the shares in Cell C post Recapitalisation. SPV2 used the proceeds of the aforesaid sale to compromise and settle all unsubordinated claims which lenders had against it;
- disposed of such shares in Cell C as equates to 5% post recapitalisation equity in Cell C to SPV4 on loan account for R204 million. The loan to SPV4 is secured by the shares in Cell C held by SPV4;
- will loan an aggregate amount of R275 million to K2022559963 (South Africa) Proprietary Limited (SPV5) between 2024 and 2026, in return for a claim of R699 million. SPV5 will apply the loaned amount of R275 million to settle, in full, the above third-party claim on behalf of Cell C. In return for SPV5 undertaking such obligations on behalf of Cell C, it allotted and issued 10% of its share capital to SPV5. Such shares were provided by SPV5 to TPC as security for the above loan. Following the settlement of the claim of R699 million to TPC, TPC has a right to share in 50% of any economic benefit generated by SPV5 in excess of the aforementioned R699 million.

Financial performance continued

Notes to the financial statements continued

7. Investments in and loans to associates and joint ventures continued

Cell C Limited continued

TPC airtime purchase transactions and working capital facility

TPC entered into agreements with Investec Bank Limited (acting through its Investment Banking Division: Corporate Solutions), FirstRand Bank Limited (acting through its Rand Merchant Bank division) and another financier (Lenders):

- pursuant to which TPC sold Cell C pre-paid airtime, with a face value of R2.115 billion, to the Lenders for a purchase consideration of R1.692 billion (inclusive of VAT). TPC has a repurchase obligation in respect of this airtime, payable in 48 equal bi-monthly instalments;
- to amend the terms of its current working capital facility (Facility A). Facility A has been increased from R1.125 billion to R1.45 billion and will be settled in two tranches. Tranche A will be amortised at R20 million per month from months 13 – 24 with tranche B being settled as a bullet at the end of 24 months; and
- whereby TPC issued to the Lenders, two classes of preference shares for a nominal consideration. The first class of preference share affords the holders of such preference shares a right to 15% of the upside realised by TPC on the TPC Debt Funding and the second class the right to all amounts (dividends and sale proceeds) received by TPC from 5% of its shareholding in Cell C.

Additionally, TPC sold to a third-party Cell C pre-paid airtime for a purchase consideration of R250 million (inclusive of VAT). TPC has a repurchase obligation in respect of this airtime, payable in 18 equal monthly instalments.

Summary of the Cell C recapitalisation transaction and the related accounting impact and treatment

TPC borrowings – from lenders

The bank borrowings of R1.471 billion were structured as i) an airtime sale and repurchase, ii) the issue of Class A Preference Shares, and iii) the issue of Class B Preference Shares.

I. Airtime sale and repurchase
TPC sold Cell C airtime vouchers with an aggregate face value of R2.115 billion (incl. VAT) for cash of R1.692 billion (incl. VAT) (R1.471 billion, excl. VAT) to the lenders. TPC will repurchase the airtime vouchers in 48 semi-monthly tranches from October 2022 to September 2024. After the first repurchase payment of R44.8 million (incl. VAT), the semi-monthly repurchase payments are R40.4 million (incl. VAT). This represents an implicit interest rate of 13.6%.

II. Issue of Class A Preference Shares
TPC issued Class A Preference Shares to the lenders for a nominal issue price. The shares are redeemable at the issue price, carry a mandatory preference dividend, and have no other participation rights. The preference dividend is indexed to 15% of the 'upside' realised by TPC on the loan to Cell C (refer to "Loans to Cell C"). TPC has no obligation to pay any preference dividend unless the equivalent amount is received from Cell C.

III. Issue of Class B Preference Shares
TPC issued Class B Preference Shares to the lenders for a nominal issue price. The shares are redeemable at the issue price, carry a mandatory preference dividend, and have no other participation rights. The preference dividend is indexed to 10.01% of TPC's shareholding in Cell C immediately after the Cell C recapitalisation, which is equivalent to a 5% shareholding in Cell C. TPC has no obligation to pay any preference dividend unless the equivalent amount is received from Cell C or from an exit event.

Accounting treatment:
The airtime sale and repurchase represents a financing transaction, with the airtime as security, together with the issue of the Class A, and Class B, Preference Shares, which provide the lenders with additional compensation for their risk. As such the amount of borrowings was attributed to these three elements at their respective fair values.

The airtime sale and repurchase loan, and the Class A Preference Shares were recognised initially at their fair values less transaction costs and have been accounted for as financial liabilities at amortised cost (included in borrowings). Given that the indexation of the cash flows under the Class B Preference Shares to a 5% shareholding in Cell C results in them containing an embedded derivative which would otherwise need to be stripped out and accounted for separately, the Class B Preference Shares have been designated to be financial liabilities at fair value through profit or loss.

Financial performance continued

Notes to the financial statements continued

7. Investments in and loans to associates and joint ventures continued

Cell C Limited continued

	Airtime sale and repurchase loan	Class A Preference Shares	Class B Preference Shares	TOTAL
Funds borrowed (R'000)	1 238 707	165 966	66 859	1 471 532
Transaction costs (R'000)	92 000	–	–	92 000
Effective interest rate (%)	40.4	11.53	N/A	N/A
Carrying value at 30 November 2022 (R'000)	1 078 492	169 169	66 859	1 314 520

TPC borrowings – from other third parties

The borrowings were structured as an airtime sale and repurchase.

IV. Airtime sale and repurchase

TPC sold Cell C airtime vouchers with an aggregate face value of R315 million (incl. VAT) for cash of R250 million (incl. VAT) (R217 million, excl. VAT) to the third party. TPC will repurchase the airtime vouchers in 18 equal monthly tranches of R16.89 million (incl. VAT) from October 2022 to March 2024. This represents an implicit interest rate of 25.75%.

TPC borrowings – from other third parties continued

Accounting treatment:

The airtime sale and repurchase represents a financing transaction, with the airtime as security.

The airtime sale and repurchase loan was recognised initially at its fair value less transaction costs and has been accounted for as a financial liability at amortised cost (included in borrowings).

	Airtime sale and repurchase loan
Funds borrowed (R'000)	217 391
Transaction costs (R'000)	–
Effective interest rate (%)	25.75
Carrying value at 30 November 2022 (R'000)	197 132

Loans to Cell C

TPC provided funding to Cell C in the form of two loans.

I. Debt Funding:

TPC advanced R1.03 billion to Cell C. The total capital amount to be repaid is R2.8 billion. The difference between the two, as well as any interest on this difference, is the 'upside' to which the mandatory preference dividends on the Class A Preference Shares are indexed (refer to "Issue of Class A Preference Shares").

The amount advanced is to be repaid by Cell C at the end of the 42nd month after the recapitalisation date, and the balance of the total capital amount at the end of the 66th month.

The loan bears no interest for the first 24 months, thereafter the total capital amount bears interest at a fixed rate of 10% per annum until month 42, and thereafter the outstanding amount bears interest at prime plus 3% until month 66. Interest payments are payable monthly in cash.

II. Reinvestment Instrument:

TPC will invest an aggregate amount of R111 million into Cell C via the Reinvestment Instrument. The total capital amount to be repaid is R306 million.

The total capital amount is to be repaid by Cell C at the end of the 42nd month after the recapitalisation date.

The loan bears no interest for the first 24 months after the recapitalisation date and thereafter the total capital amount bears interest at a fixed rate of 10% per annum. Interest payments are payable monthly in cash.

Accounting treatment:

Management assessed and concluded that the funding provided (Debt Funding and the Reinvestment Instrument) to Cell C as part of its recapitalisation should be classified as originated credit impaired loans. Cell C was restructured and refinanced 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. Cell C utilised the TPC Debt Funding to settle the claims of secured lenders by paying an amount of 20c to the rand. The face value of the funding provided by TPC is 2.75 times the cash it advanced. This deep discount evidences incurred losses.

Financial performance continued

Notes to the financial statements continued

7. Investments in and loans to associates and joint ventures continued

Cell C Limited continued

Although Cell C's financial plan reflects that these loans will be repaid in full, the terms of the loans are 42 months for the Reinvestment Instrument and 66 months for the Debt Funding, and there is execution risk related to the achievement of the business plan.

Interest on these loans is being recognised using a credit adjusted effective interest rate. The credit adjusted effective interest rate reflects the initial estimate of lifetime expected credit losses. This means that TPC will only recognise the cumulative changes (both favourable and unfavourable) in the initial estimate of lifetime expected credit losses as a loss allowance.

The loans were recognised initially at the amount of the cash advanced plus transaction costs. The reason for using the amount of the cash advanced, and not fair value, is because the fair values yielded day 1 gains which could not be recognised immediately in profit or loss because the valuation techniques applied did not use data that was only from observable markets. As result, day 1 gains on loan 1 and loan 2, respectively, were deferred as part of the carrying values of the loans. These gains will only be recognised to the extent that they arise from a change in a factor (including time) that market participants would take into account when pricing the loans (i.e. these gains will be recognised with the passage of time). The position will be reassessed at year end. The fair value of the additional 9.53% shareholding in Cell C that was acquired for nominal consideration has been treated as part of TPC's return for providing the funding to Cell C and has been reflected in the calculation of the effective interest rate on the loans.

	Debt Funding	Reinvestment Instrument	TOTAL
Initial fair value (R'000)	1 950 071	215 313	2 165 384
Funds advanced (R'000)	914 396*	111 112	1 025 508
Credit adjusted effective interest rate (%)	31.25	31.80	N/A
Carrying value at 30 November 2022	962 643	117 080	1 079 723

* This is after allocating R118 million of the gross amount advanced of R1.032 billion towards the net additional 9.53% shareholding in Cell C.

Loan to SPV 4

TPC advanced R223 million to SPV 4, which SPV 4 used to acquire a 5.47% shareholding in Cell C from SPV 2. SPV 2 used the proceeds to repay certain of it's debts after which it was liquidated. The loan is interest free and is repayable on demand. The only asset securing this loan is the 5.47% shareholding in Cell C which TPC can acquire in settlement of its loan. If TPC elected to acquire these additional shares, it would first need the prior approval of the Competition Commission of South Africa and ICASA because such acquisition would result in TPC acquiring control of Cell C.

Accounting treatment:
The loan to SPV 4 does not meet criteria to be classified as a financial asset at amortised cost because, by virtue of the fact that the only means SPV 4 has to repay the loan is the 5.47% shareholding in Cell C, it represents a participatory interest (without voting rights) in these shares subject to a limit of the debt plus accrued interest. Since Cell C is accounted for as an associate, this participatory interest in Cell C has also been accounted for as part of the investment in associate and equity accounted. Accordingly, the overall percentage interest in Cell C that is equity accounted reflects TPC's economic interest (and not only voting interest) which includes this participatory interest of 5.47%.

The assessment of control is concerned with substantive rights as it relates to decisions about the direction of the relevant activities of the investee, and therefore, it is management's view that the additional interest without the additional right to vote, together with the operational barriers which prevent the Group from exercising its rights, will not change its assessment of whether Cell C is an associate, until such rights become substantive.

Sale of a 5% shareholding in Cell C to SPV 4 on loan account

Prior to the effective date of the recapitalisation, TPC sold a 5% shareholding (in terms of post-recapitalisation shareholding) in Cell C to SPV 4 thereby divesting itself of the ability to direct the voting rights attached to these shares. The shares were sold on loan account for R204 million which is repayable on demand on an interest-free basis. The only security for this loan is the 5% shareholding in Cell C which TPC can acquire in settlement of its loan. SPV 4 is required to pay to TPC all payments it receives or realises on this 5% shareholding in Cell C towards settlement of the loan. In this way TPC retains the economic interest in this 5% shareholding in Cell C. If TPC elected to acquire these additional shares, it would first need the prior approval of the Competition Commission of South Africa and ICASA because such acquisition would result in TPC acquiring control of Cell C.

Accounting treatment:
Although TPC has not retained the voting rights attached to this 5% shareholding in Cell C, it has retained substantially all the risks and rewards of ownership. TPC continues to recognise the economic interest of this shareholding as part of the investment in associate and to equity account it. Accordingly, the overall percentage

Financial performance continued

Notes to the financial statements continued

7. Investments in and loans to associates and joint ventures continued

Cell C Limited continued

interest in Cell C that is equity accounted reflects TPC's economic interest (and not only voting interest) which includes this economic interest of 5%.

The assessment of control is concerned with substantive rights as it relates to decisions about the direction of the relevant activities of the investee, and therefore, it is management's view that the additional interest without the additional right to vote, together with the operational barriers which prevent the Group from exercising its rights, will not change its assessment of whether Cell C is an associate, until such rights become substantive.

Additional shareholding in Cell C of 9.53%

TPC received additional shares from Cell C for a nominal amount .

After the recapitalisation of Cell C, TPC now has a shareholding, and voting rights, of 49.53% in Cell C, derived as follows:

	Percentage (%)
Pre-recapitalisation shareholding	45.00
Sale of shares	(5.00)
Net new issue	9.53
Dilution	(29.61)
New issue	39.14
Post-recapitalisation shareholding	**49.53**

Accounting treatment:
The fair value at the date of recapitalisation of the 9.53% additional shares received (R118 million) has been recognised as an increase in the equity accounted investment in Cell C and as part of TPC's return on the loans to Cell C which will be recognised over the period of the funding using the effective interest method.

Purchase of certain trade claims against Cell C

TPC acquired several trade claims held by two parties against Cell C.

Claims of one of the parties were acquired for cash payments totalling USD4 million (R65 million). These claims were settled in full by Cell C by providing TPC with airtime vouchers with an aggregate face value of R75.8 million (including VAT).

Claims of the other party of R153 million were acquired for cash payments totalling R53 million. TPC agreed to a compromise with Cell C which reduced the amount owing by Cell C by 45%, down to R84 million. The balance is to be repaid by Cell C on an interest-free basis from the 25th month after the date of recapitalisation. On a quarterly basis from this date TPC is entitled to receive as settlement 11% of any excess cash held by Cell C above an amount of R700 million until the debt is repaid.

Accounting treatment:
TPC accounted for the acquisition, and settlement, of the fore-mentioned claims as the purchase of airtime stock for R65 million. In respect of the last-mentioned claims acquired, TPC recognised a long-term financial asset, initially at its fair value of R53 million. Subsequently management recognised a 100% ECL against this balance taking cognisance of the unsecured nature and payment terms of the claim.

Deferred repayment terms of an amount of R1.1 billion owing by Cell C to CEC

An existing claim of R1.1 billion by CEC against Cell C will now be repaid by Cell C in 60 equal monthly instalments, plus interest on the outstanding amount at a fixed rate of 12% per annum.

Accounting treatment:
CEC accounted for the change in repayment terms as a significant modification, which resulted in the derecognition of the previous carrying value of the financial asset (trade receivable) and the recognition of a new long-term loan, initially at its fair value of R1.035 billion. This resulted in the recognition of a loss of R65 million in profit or loss. Management assessed and concluded that this loan should be classified as an originated credit impaired loan as a result of management renegotiating the terms of the amount owing in order to assist Cell C as part of its restructuring and recapitalisation. Cell C was restructured and refinanced 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. Interest on this loan is being recognised using a credit adjusted effective interest rate of 12.67%. The credit adjusted effective interest rate reflects the initial estimate of lifetime expected credit losses. This means that CEC will only recognise the cumulative changes (both favourable and unfavourable) in the initial estimate of lifetime expected credit losses as a loss allowance.

Financial performance continued

Notes to the financial statements continued

7. Investments in and loans to associates and joint ventures continued

Cell C Limited continued

Bulk airtime purchases from Cell C

TPC purchased airtime vouchers from Cell C with a face value of R1.992 billion (incl VAT) for a cash payment of R1.2 billion (incl VAT).

For four quarters from the 13th month after the Cell C recapitalisation TPC is required to purchase airtime vouchers from Cell C with a face value of R498 million (including VAT) for a cash payment of R300 million (including VAT) per quarter.

In addition, TPC is required to make minimum monthly purchases of airtime vouchers from Cell C for a period of 24 months from the date of the Cell C recapitalisation. For each of the first 12 months, the minimum purchase is airtime with a face value of R427 million (incl. VAT), and for each of the second 12 months it is airtime with a face value of R378 million (incl. VAT). The cash purchase price payable is at a discount of 6% to the face value of the airtime. The minimum monthly purchases will be reduced by R125 million (including VAT) per month until TPC's airtime repurchase obligation towards the funders has been settled. Furthermore, if in any calendar quarter following the effective date of the Cell C recapitalisation, Cell C's actual MVNO Revenue is in excess of the MVNO Revenue for the relevant period as stated in the Agreed Financial Base Case, then for the following quarter the minimum monthly purchase requirement will be reduced by one-third of such excess.

Restricted inventory

Of the carrying value of inventory as of 30 November 2022, R1.4 billion is restricted because it is held by the funders and other third parties under the airtime sale and repurchase agreements which form part of TPC's borrowings in connection with the Cell C recapitalisation, as detailed above. As a result of TPC's repurchase obligation, the airtime stock that was sold to the funders has continued to be recognised as TPC's stock, and the repurchase obligation has been recognised as borrowings. As airtime stock is repurchased it becomes unrestricted and is available to be sold. During the next 12 months, TPC is required to repurchase R715.8 million of the restricted airtime.

Included in the carrying value of inventory as of 30 November 2022 are amounts that have been purchased to date (and not yet sold) by TPC from Cell C as part of the Cell C recapitalisation as detailed above. TPC has the right to sell this airtime stock without restriction before the 28th September 2024. However, there are certain restrictions regarding TPC's ability to dispose of any of this airtime that is still on hand at that date (which carrying value of airtime management believes will be negligible), these restrictions fall away from the 28th March 2026 or earlier should certain trigger events occur.

Airtime purchase agreement

To provide Cell C with the funds to settle an aggregate amount of R197 million owing to a lessor, TPC agreed to purchase additional airtime from Cell C. Airtime with a face value of R645 million was purchased by TPC before 30 November 2022 for a cash purchase price of R161 million (excluding VAT), and airtime with a face value of R145 million will be purchased by TPC in September 2023 for a cash purchase price of R36 million (excluding VAT). TPC is only permitted to sell the airtime in specified tranches of face value, on specified dates, as follows: R114 million in February 2025, R8 million in February 2027, R208 million in February 2028, and R230 million in both February 2029 and in February 2030.

Accounting treatment:
The amounts paid to Cell C have been treated as prepayments and not as airtime stock because, until TPC is free to sell the airtime, it does not have the associated risks and rewards of ownership. The prepayment will be tested for impairment at each reporting date and written down accordingly.

Acquisition of additional notes in SPV 1

TPC acquired additional notes comprising 72% of the issued notes in SPV 1 for R25 million. The notes have a face value of USD201 million. The only asset that SPV 1 has is a 4.04% shareholding in Cell C which has been pledged as security for the repayment of the notes. The redemption date of 2 August 2022 has passed, as such TPC can demand repayment of its notes at any time and can acquire 79% of the Cell C shares held by SPV 1, which constitutes a 3.19% interest in Cell C, as settlement thereof. Prior to acquiring these additional shares, TPC would first need the approval of the Competition Commission of South Africa and ICASA because such acquisition would result in TPC acquiring control of Cell C.

Accounting treatment:
The notes acquired in SPV 1 fail the criteria to be classified as a financial asset at amortised cost because, by virtue of the fact that the only means SPV 1 has to redeem the notes is its shareholding in Cell C, it represents a participatory interest (without voting rights) in these shares subject to a limit of the debt plus accrued interest. Since Cell C is accounted for as an associate, TPC's participatory interest in Cell C has also been accounted for as part of the investment in associate and equity accounted. Accordingly, the overall percentage interest in Cell C that is equity accounted reflects TPC's economic interest (and not only voting interest) which includes this participatory interest of 3.19%.

Financial performance continued

Notes to the financial statements

7. Investments in and loans to associates and joint ventures continued

Cell C Limited continued

The assessment of control is concerned with substantive rights as it relates to decisions about the direction of the relevant activities of the investee, and therefore, it is management's view that the additional interest without the additional right to vote, together with the operational barriers which prevent the Group from exercising its rights, will not change its assessment of whether Cell C is an associate, until such rights become substantive.

Provided a guarantee to a lessor of Cell C

Please refer to the narrative on page 21 related to the "SPV 5 derivative liability" for further information related to the guarantee.

Accounting treatment:
When the funds are advanced by TPC to SPV 5 they will be treated as an additional 10% investment (without voting rights) in Cell C because the shares in Cell C are the only means that the SPV has with which to repay TPC's loan. As a result, TPC's loan commitment is an in-substance written put option over the economic interest of SPV 5's shareholding in Cell C, which meets the definition of a derivative. Accordingly, TPC has accounted for its loan commitment to SPV 5 as a derivative at fair value through profit or loss. The initial fair value of the loan commitment liability remained unchanged at R13.2 million.

Percentage of Cell C equity accounted

Up until 22 September 2022, the Group had a 45% shareholding in Cell C which was held via TPC, and which represented the percentage interest in Cell C that was equity accounted up to that date. After the Cell C recapitalisation, Cell C continues to be an associate of the Group with a 49.53% shareholding therein. When applying the equity method to investments in associates, the carrying amount is increased or decreased to recognise the investor's share of the associate's profit or loss since the date of acquisition. An investor's interest in an associate is determined solely on the basis of existing ownership interests and does not reflect the possible exercise or conversion of potential voting rights or other derivatives, unless they currently give the investor access to returns associated with an ownership interest. As a result of its transactions with SPV 1 and SPV 4, in substance, TPC has additional participatory interests of 13.66% (subject to certain caps, being the amounts to be repaid by the SPVs in respect of the loans from TPC) in the equity of Cell C (but without the corresponding voting rights). The caps have not come into play yet. Therefore, since the date of the recapitalisation the Group has equity accounted 63.19% of the earnings of Cell C.

Financial performance continued

Notes to the financial statements continued

7. Investments in and loans to associates and joint ventures continued

Cell C Limited continued

Valuation of Cell C and impairment reversal

The value-in-use of Cell C as at 30 November 2022 equated to R1.5 billion, of which TPC's share amounted to R962.5 million.

Of the accumulated impairment of R2.5 billion (refer to accumulated impairment on page 32), R962.5 million was accounted for as a reversal of impairment of investment in associate.

The key assumptions applied in determining the value-in-use calculations are as follows:

	November 2022			May 2022		
	Average EBITDA margin %	**Terminal growth rate %**	**Pre-tax discount rate %**	**Average EBITDA margin %**	**Terminal growth rate %**	**Pre-tax discount rate %**
Cell C Limited	**18.3**	**4.2**	**39.0**	**15.6**	**4.0**	**16.3**

An internal valuation was performed by Cell C 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 incorporates the effects of recapitalisation which was effective end September 2022.

Considering Cell C have recently undertaken a financial recapitalisation, management was required to apply a probability of distress overlay to the Discounted Cash Flow valuation. Assumptions related to the Moody's rating of both Cell C and BLT were taken into account, given the strategic relationship between the two companies.

The Prepaid Company's equity share of the value as at 30 November 2022 reflected a partial recovery following the implementation of the recapitalisation.

The recovery in value is attributable to the following:

a. a significant decrease in interest-bearing borrowings in line with a compromise offer made by Cell C to certain of its secured lenders in line with the recapitalisation transaction;
b. an increase in cash flow generation over the forecast period due to improved trading on the back of less constrained cash flows, however this was more than negated by the effects of the increase in the discount rate;
c. a decrease in the value of capitalised finance lease contracts due to the restructuring thereof; and
d. an increase in the value of the assessed loss tax shield due to earlier utilisation.

An increase/decrease in the following valuation inputs, when calculating the value-in-use of Cell C, would result in the following adjustments to TPC's share of the value-in-use:

	2% increase in discount rate R'000	**1% decrease in terminal growth rate R'000**	**5% decrease in annual EBITDA R'000**
Cell C Limited	**(78 912)**	**(21 359)**	**(190 390)**

Financial performance continued

Notes to the financial statements

7. Investments in and loans to associates and joint ventures continued

Cell C Limited continued

Percentage of Cell C equity accounted continued

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

	30 November 2022 R'000	31 May 2022 R'000
Concentration of credit risk:		
Loans receivable	**2 082 248**	–
Loss allowance on loans receivables to Cell C	**(14 004)**	–
Trade receivables	**305 241**	2 612 065
Loss allowance on trade receivables to Cell C	**(55 992)**	(26 717)
Payables due to Cell C:		
Trade payables	**(219 223)**	(851 473)

Summarised financial information

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

	30 November 2022 R'000	31 May 2022 R'000
Statement of financial position		
Non-current assets	**11 910 806**	12 833 049
Current assets	**5 780 919**	5 305 662
	17 691 725	18 138 711
Total equity	**(1 829 059)**	(8 007 848)
Non-current liabilities	**6 022 174**	5 280 021
Current liabilities	**13 303 610**	20 866 538
	17 691 725	18 138 711
Effective percentage held (%)	**49,53**	45
Effective economic percentage held (%)[1]	**63,19**	45
Net assets	**(1 829 059)**	(8 007 848)
Company net assets	**(9 148 553)**	(15 307 778)
Carrying value of purchase price allocations net of deferred taxation	**7 319 494**	7 299 930
Accumulated impairment (refer to reconciliation below)	**1 558 621**	2 521 152
Accumulated losses not guaranteed (refer to reconciliation on page 33)	**904 823**	4 806 908

* Where the financial half-year-end differs from the Group's half-year-end of 30 November, special purpose accounts are prepared to coincide with the Group's reporting period.

[1] Refer to the "percentage of Cell C equity accounted" narrative on page 30.

Summarised financial information continued

Accumulated impairment

	30 November 2022 R'000
Opening balance at 31 May 2022	**2 521 152**
Reversal of previous impairment	**(962 531)**
Closing balance	**1 558 621**

Financial performance continued

Notes to the financial statements continued

7. Investments in and loans to associates and joint ventures continued

Cell C Limited continued

Accumulated losses not guaranteed

	30 November 2022 R'000
Opening balance at 31 May 2022	**4 806 908**
Share of profit for the six months ended 30 November 2022	**(2 573 318)**
Recognition of historical losses previously not recognised	**(1 328 767)**
Reversal of previous impairment	**(962 531)**
Additional investment	**(366 236)**
Closing balance	**904 823**

Statement of comprehensive income for the six months ended*

	1 June 2021 to 30 November 2022 R'000	1 June 2021 to 30 November 2021 R'000
Revenue	**6 393 316**	6 679 641
Net profit/(loss) before taxation	**5 813 525**	(832 692)
Taxation	**–**	–
Net profit/(loss) after taxation	**5 813 525**	(832 692)
Other comprehensive income	**–**	–
Total comprehensive income	**–**	–
Share of total comprehensive income	**–**	–
Effective economic percentage held (%)	**63,19**	45
(Share of profits)/losses**	**2 573 318**	(374 711)

* Where the financial half-year-end differs from the Group's half-year-end of 30 November, special purpose accounts are prepared to coincide with the Group's reporting period.

** 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. The Group could not recognise the current years profits as a result of historical losses not guaranteed. These profits reduced the balance of the Group's accumulated losses not guaranteed.

Financial performance continued

Notes to the financial statements

7. Investments in and loans to associates and joint ventures continued

Cell C Limited continued

	Cost and share of reserves		Loans	
	30 November 2022 R'000	31 May 2022 R'000	**30 November 2022 R'000**	31 May 2022 R'000
Cell C	**–**	–	**2 068 244**	–
Other associates and joint ventures	**85 509**	76 147	**53 639**	48 603
	85 509	76 147	**2 121 883**	48 603
Disclosed as:				
– Non-current assets	**85 509**	76 147	**1 875 155**	22 745
– Current assets	**–**	–	**246 728**	25 858

	Associate		**Other associates***	
Company	**Cell C Limited**			
Principal activity	**Network provider**			
Country of incorporation	**South Africa**			
	30 November 2022 R'000	31 May 2022 R'000	**30 November 2022 R'000**	31 May 2022 R'000
Cost and share of reserves at the beginning of the period	**–**	–	**53 536**	41 258
Acquisition of associates and joint ventures	**–**	–	**–**	17 682
Share of (losses)/profits from associates and joint ventures	**(1 328 767)**	–	**2 111**	(770)
Share of results after tax	**(1 328 767)**	–	**2 111**	325
Amortisation of intangible assets	**–**	–	**–**	(1 521)
Deferred tax on intangible assets amortisation	**–**	–	**–**	426
Foreign currency translation reserve	**–**	–	**722**	1 251
Dividends received	**–**	–	**–**	(5 885)
Diluted	**–**	–	**–**	–
Additional investment	**366 236**	–	**–**	–
Reversal of impairment of investment in associate	**962 531**	–	**–**	–
Cost and share of reserves at the end of the period	**–**	–	**56 369**	53 536
Loans to associates and joint ventures				
Loans at the beginning of the period	**–**	–	**4 067**	–
Loans granted to associates and joint ventures	**2 205 294**	–	**4 988**	4 115
Loans repaid by associates and joint ventures	**(58 546)**	–	**–**	–
Expected credit loss	**(14 004)**	–	**(454)**	(48)
Loss on modification of financial instrument	**(64 500)**		**–**	–
Loans at the end of the period	**2 068 244**	–	**8 601**	4 067
Closing net book value	**2 068 244**	–	**64 970**	57 603
Share of (losses)/profits from associates and joint ventures	**(1 328 767)**	–	**2 111**	(770)

* The Group also has interests in a number of individually immaterial associates and joint ventures that are accounted for using the equity method which are aggregated under "Other associates" and "Other joint ventures".

Financial performance continued

Notes to the financial statements continued

Investments and loans	
30 November 2022 R'000	31 May 2022 R'000
2 068 244	–
139 148	124 750
2 207 392	124 750
1 960 664	98 892
246 728	25 858

Other joint ventures*		Total	
30 November 2022 R'000	31 May 2022 R'000	**30 November 2022 R'000**	31 May 2022 R'000
22 611	14 344	**76 147**	55 602
–	–	**–**	17 682
6 529	8 812	**(1 320 127)**	8 042
6 529	8 812	**(1 320 127)**	4 105
–	–	**–**	(1 521)
–	–	**–**	426
–	–	**722**	1 251
–	–	**–**	(5 885)
–	(545)	**–**	(545)
–	–	**366 236**	9 137
–	–	**962 531**	–
29 140	22 611	**85 509**	76 147
44 536	22 763	**48 603**	22 763
30 101	22 450	**2 240 383**	26 565
(29 568)	(1 805)	**(88 114)**	(1 805)
(31)	1 128	**(14 489)**	1 080
–	–	**(64 500)**	–
45 038	44 536	**2 121 883**	48 603
74 178	67 147	**2 207 392**	124 750
6 529	8 812	**(1 320 127)**	8 042

Financial performance continued

Notes to the financial statements

8. Related parties

Significant related-party transactions and balances

	Six months ended 30 November 2022 Unaudited R'000	Six months ended 30 November 2021 Unaudited R'000	Year ended 31 May 2022 Audited R'000
Sales to related parties			
Cell C Limited and its related entities*	**2 488 389**	1 558 514	3 975 162
I Talk Financial Services Proprietary Limited*	**2 204**	2 395	5 924
T3 Telecoms SA Proprietary Limited*	**1 484 624**	2 054 917	3 619 533
Utilities World Proprietary Limited*	**5 423**	84	3 803
I Talk Holdings Proprietary Limited*	**14 689**	11 774	28 192
Purchases from related parties			
Cell C Limited and its related entities*	**4 463 983**	2 483 678	6 624 066
I Talk Financial Services Proprietary Limited*	**2 730**	259	2 452
T3 Telecoms SA Proprietary Limited*	**14 729**	6 760	20 561
I Talk Holdings Proprietary Limited*	**3 981**	8 164	42 542
Income received from related parties			
Dividends received from related parties			
Utilities World Proprietary Limited*	**–**	–	5 885
Finance revenue from related parties			
Cell C Limited and its related entities*	**36 244**	47 426	96 788
Interest from related parties			
Cell C Limited and its related entities*	**79 785**	–	–
Loans to related parties			
Cell C Limited and its related entities*	**2 082 248**	–	–
2DFine Holdings Mauritius*^	**–**	214 674	–
2DFine Investments Mauritius*^	**–**	3 943	–
Oxigen Services India Private Limited*^	**–**	54 105	–
Brett Levy	**53 923**	41 857	48 286
Mark Levy	**53 923**	41 857	48 286
I Talk Financial Services Proprietary Limited*	**8 000**	8 000	8 000
I Talk Holdings Proprietary Limited*	**19 900**	21 900	18 900
T3 Telecoms SA Proprietary Limited*	**13 898**	14 735	14 682
Total loss allowance on loans to related parties	**(15 661)**	(275 478)	(1 173)
Lease liability due to related parties			
Ellerine Bros. Proprietary Limited	**5 155**	14 343	10 059
Moneyline 311 Proprietary Limited[1]	**–**	14 343	10 059
Uvongo Falls No 26 Proprietary Limited[1]	**–**	14 723	10 257
Amounts due from related parties included in trade receivables			
Cell C Limited and its related entities*	**305 421**	2 122 181	2 612 065
Oxigen Services India Private Limited*#	**5 876**	5 876	5 876
I Talk Holdings Proprietary Limited*	**25 159**	4 069	10 031
T3 Telecoms SA Proprietary Limited*	**6 609**	7 040	9 687
Total loss allowance on trade receivables to related parties	**(62 714)**	(10 263)	(32 575)
Amounts due to related parties included in trade payables			
Cell C Limited and its related entities*	**219 223**	767 353	851 473
I Talk Holdings Proprietary Limited*	**4 894**	2 436	3 123
I Talk Financial Services Proprietary Limited*	**706**	104	626
Blue Train Proprietary Limited*	**10 912**	124	1 207
Amounts due from related parties included in other receivables			
Utilities World Proprietary Limited*	**2 641**	–	5 885

* These entities are associates/joint ventures.
\# This receivable has been fully provided for both in the current and prior years and is included as part of the total loss allowance.
^ These loans were written off in the prior year.
1 Due to the resignation of GD Harlow on 20 October 2022, these entities are no longer related parties to the Group as of that date.

9. Events after the reporting date

An announcement was released on 6 February 2023, stating that SNG Grant Thornton ("SNG") replaced PwC as the external auditors of Blue Label, with Mr A Philippou as the designated individual audit partner. The change in external auditors is in alignment with the principles of good governance and early adoption of mandatory audit firm rotation, whereby audit firms shall not serve as the appointed auditor of a public interest entity for more than 10 consecutive years, with effect from 01 April 2023. The acceleration of the mandatory audit firm rotation was prudent in order to achieve future cost savings and efficiencies, as SNG are Cell C's auditors, and to ensure alignment with them relating to the audit of the recapitalisation transaction of Cell C from inception thereof.

10. Basis of preparation

The condensed unaudited consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards, IAS 34 –Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards (IFRS) and are consistent with those applied in the previous annual financial statements.

We aim to provide stakeholders with the same additional information that management uses to evaluate the performance of the Group's operations. Accordingly, we make reference to operating profit before depreciation, amortisation and impairment charges (EBITDA). In addition, the Group applies core net profit and core headline earnings as non-IFRS measures in evaluating the Group's performance. This supplements the IFRS measures. Core net profit is calculated by adjusting net profit for the year with the amortisation of intangible assets that arise as a consequence of the purchase price allocations completed in terms of IFRS 3(R) – Business Combinations. Core headline earnings are calculated by adjusting core net profit with the headline earnings adjustments required by SAICA Circular 4/2018.

The results for the period ended 30 November 2022 have not been reviewed or audited.

Administration

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

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

Company Secretary
J van Eden

Sponsor
Investec Bank Limited

Auditors
SNG Grant Thornton

Blue Label Telecoms Limited
(Incorporated in the Republic of South Africa)
(Registration number 2006/022679/06)

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JSE share code
BLU

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