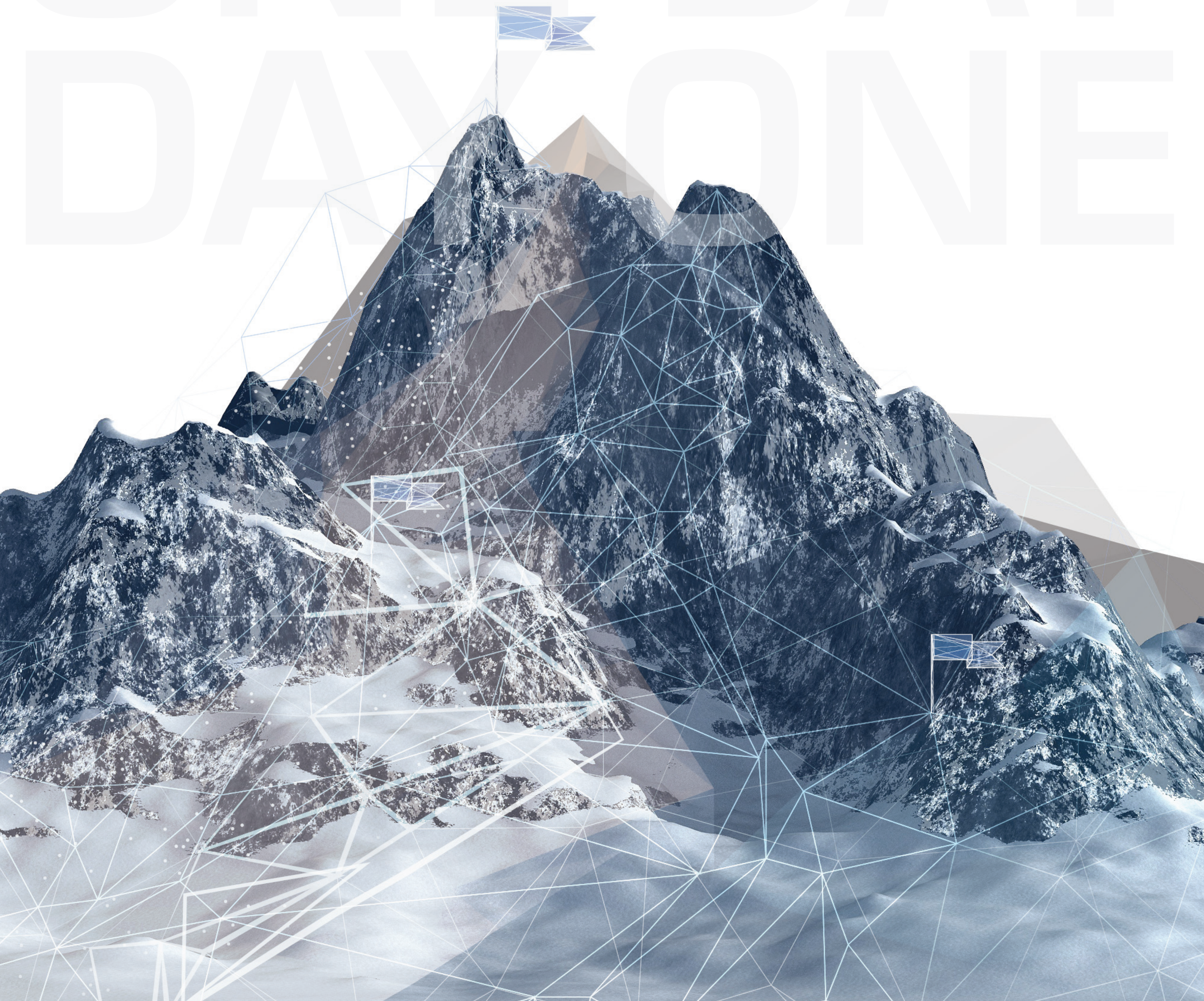
BLUE LABEL TELECOMS

Unaudited results for the six months ended 30 November 2023

ONE DAY
DAY ONE



FINANCIAL HIGHLIGHTS

Revenue of
R7.6 billion*

Increase in gross profit margin from
15.67% to 21.08%

Increase in gross profit of 4% to
R1.60 billion
(2022: R1.54 billion)

Core headline earnings of
47.15 cents per share**
(2022: 3.94 cents per share)

* On inclusion of the gross amount generated on "PINless top-ups", prepaid electricity, ticketing and universal vouchers, the effective increase equated to 12% from R39.3 billion to R43.8 billion.

** Excluding the positive contributions of R65 million in the current period and the negative contributions of R421 million in the prior period, primarily resulting from the recapitalisation transaction of Cell C, core headline earnings per share declined by 23% to 39.90 cents per share compared to 51.72 cents per share in the prior period.

COMMENTARY

GROUP RESULTS

Core headline earnings for the period ended 30 November 2023 amounted to R420 million, equating to core headline earnings of 47.15 cents per share.

In the comparative period, core headline earnings amounted to R35 million, equating to core headline earnings of 3.94 cents per share. The predominant negative contributions to the November 2022 basic, headline and core headline earnings per share are primarily associated with the recapitalisation transaction of Cell C.

Excluding the positive contributions of R65 million in the current period and the negative contributions of R421 million in the prior period, as illustrated in the underlying tables, core headline earnings declined by R100 million (22%) from R455 million to R355 million and core headline earnings per share declined by 23% from 51.72 cents per share in the prior period to 39.90 cents per share. This decline in core headline earnings was attributable to a decrease of R119 million in Comm Equipment Company, while the remaining entities within the Group increased by R19 million compared to the prior period.

The anticipated decline in CEC's core headline earnings was a result of a decline in gross profit stemming from increased expenditure related to the distribution agreement, as well as a significant increase in the expected credit loss compared to the previous period. This increase aligns with the expansion of CEC's book and the deteriorating macroeconomic environment in South Africa, marked by rising interest rates, power outages and a depreciating rand. CEC has increased its ECLs in anticipation of heightened future losses, aligning with the approach taken by other consumer lenders.

Earnings per share for the current and prior periods amounted to 45.67 cents and negative 8.74 cents respectively. On the exclusion of the contributions resulting primarily from the recapitalisation transaction of Cell C from both the current and prior periods, earnings per share declined by 23% to 38.42 cents per share and headline earnings per share declined by 22% to 38.66 cents per share.

Group revenue declined by R2.2 billion (23%) to R7.6 billion. However, as only the gross profit earned on "PINless top-ups", prepaid electricity, ticketing and universal vouchers is recognised as revenue, on imputing the gross revenue generated from these sources, the effective growth in revenue equated to R4.5 billion (12%), resulting in a total revenue of R43.8 billion compared to the prior period of R39.3 billion.

Gross profit increased by R58 million (4%) from R1.540 billion to R1.598 billion, corresponding to an increase in margins from 15.67% to 21.08%. This increase in margins can be partially attributed to the growth in "PINless top-ups", prepaid electricity, ticketing and universal vouchers, where only the gross profit earned thereon is recognised as revenue.

The Group remains vigilant in managing its total overhead costs.

Furthermore, load shedding continues to be a significant challenge faced by our organisation. It has negatively impacted the sale of prepaid electricity, prepaid airtime, starter packs and our call centre operations, all of which are significant revenue streams for the Group.

GROUP INCOME STATEMENT

	November 2023 R'000	Extraneous income* November 2023 R'000	Remaining November 2023 R'000	Group November 2022 R'000	Extraneous costs** November 2022 R'000	Remaining November 2022 R'000	Growth remaining R'000	Growth remaining %
Revenue	**7 581 356**	—	7 581 356	9 823 143	—	9 823 143	(2 241 787)	(23)
Gross profit	**1 597 881**	—	1 597 881	1 539 635	—	1 539 635	58 246	4
Other income	**26 197**	—	26 197	15 071	—	15 071	11 126	74
Bad debts, expected credit losses and fair value movements	**(157 039)**	(2 717)	(154 322)	(124 058)	(44 589)	(79 469)	(74 853)	(94)
Gain/(loss) on modification of financial instrument	**10 989**	10 989	—	(64 500)	(64 500)	—	—	
EBITDA	**697 003**	8 272	688 731	609 405	(109 089)	718 494	(29 763)	(4)
Finance costs	**(459 311)**	(177 685)	(281 626)	(247 765)	(89 747)	(158 018)	(123 608)	(78)
Finance income	**352 592**	273 142	79 450	131 402	57 906	73 496	5 954	8
Reversal of impairments in associates	**—**	—	—	962 531	962 531	—	—	
Share of profit/(losses) from associates and joint ventures	**6 639**	—	6 639	(1 320 127)	(1 328 767)	8 640	(2 001)	(23)
Net profit/(loss) after tax	**406 423**	64 498	341 925	(76 934)	(514 315)	437 381	(95 456)	(22)
Core headline earnings	**419 575**	64 498	355 077	34 700	(420 784)	455 484	(100 407)	(22)
Gross profit margin (%)	**21.08**		21.08	15.67		15.67		
EBITDA margin (%)	**9.19**		9.08	6.20		7.31		
Weighted average shares ('000)	**889 918**		889 918	880 749		880 749		
Share performance								
EPS (cents)	**45.67**		38.42	(8.74)		49.66	(11.24)	(23)
HEPS (cents)	**45.91**		38.66	2.09		49.86	(11.20)	(22)
Core HEPS (cents)	**47.15**		39.90	3.94		51.72	(11.82)	(23)

* The positive contributions to Group earnings in the current period were attributable to:

- the accounting treatment relating to the recapitalisation transaction of Cell C[1], emanating from:
  - expected credit losses and fair value movements of R3 million;
  - gain on modification of the Class A Preference Shares amounting to R11 million;
  - finance costs of R178 million resulting from increased borrowings related to airtime sale and repurchase obligations, as well as the issuance of Class A Preference Shares; and
  - finance income of R273 million resulting from the loan to Cell C for its debt funding requirements.

	Extraneous income* November 2023 R'000	Recap of Cell C[1] November 2023 R'000
Bad debts, expected credit losses and fair value movements	**(2 717)**	(2 717)
Gain on modification of financial instrument	**10 989**	10 989
EBITDA	**8 272**	8 272
Finance costs	**(177 685)**	(177 685)
Finance income	**273 142**	273 142
Net profit after tax	**64 498**	64 498
Core headline earnings	**64 498**	64 498

** The negative contributions to Group earnings in the prior period were primarily attributable to:

- the accounting treatment relating to the recapitalisation transaction of Cell C[2], emanating from:
  - expected credit losses and fair value movements of R67 million;
  - loss on modification of a financial instrument of R65 million due to the renegotiation and reclassification of the CEC deferral amount of R1.1 billion, owed by Cell C, from 'trade and other receivables' to 'loans to associates and joint ventures';
  - finance costs of R90 million resulting from increased borrowings related to airtime sale and repurchase obligations, as well as the issuance of Class A Preference Shares;
  - finance income of R58 million resulting from a loan to Cell C for its debt funding requirements;
  - 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, in line with an improvement in its equity valuation; and
  - recognition of the Group's share of Cell C's net accumulated losses for the period from 1 June 2019 to 30 November 2022, limited to R1.329 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[3].

	Extraneous costs** November 2022 R'000	Recap of Call C[2] November 2022 R'000	Once-offs[3] 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 after tax	(514 315)	(536 315)	22 000
Core headline earnings	(420 784)	(442 784)	22 000

GROUP INCOME STATEMENT continued

EBITDA declined by R30 million (4%) from R718 million to R689 million, excluding the positive contributions of R8 million in the current period and negative contributions of R109 million in the prior period. Of this decline, CEC showed a negative impact of R186 million, while the remaining Group operations contributed an additional R156 million compared to the previous period.

Excluding the R55 million costs attributable to learnership initiatives in the current period and R70 million in the prior period, EBITDA declined by R44 million (6%) from R788 million to R744 million. The benefit thereof is realised through income tax savings resulting from the section 12H allowances claimed for these learnerships.

SEGMENTAL REPORT

Africa distribution

	November 2023 R'000	Extraneous income[1] November 2023 R'000	Remaining November 2023 R'000	November 2022 R'000	Extraneous costs[2] November 2022 R'000	Remaining November 2022 R'000	Growth remaining R'000	Growth remaining %
Revenue	**7 437 977**	—	7 437 977	9 677 719	—	9 677 719	(2 239 742)	(23)
Gross profit	**1 551 981**	—	1 551 981	1 495 855	—	1 495 855	56 126	4
Other income	**18 847**	—	18 847	10 553	—	10 553	8 294	79
Bad debts, expected credit losses and fair value movements	**(154 238)**	(2 717)	(151 521)	(157 069)	(66 589)	(90 480)	(61 041)	(68)
Gain/(loss) on modification of financial instrument	**10 989**	10 989	—	(64 500)	(64 500)	—	—	
EBITDA	**751 647**	8 272	743 375	614 468	(131 089)	745 557	(2 182)	—
Finance costs	**(459 273)**	(177 685)	(281 588)	(246 763)	(89 747)	(157 016)	(124 572)	(79)
Finance income	**350 490**	273 142	77 348	129 622	57 906	71 716	5 632	8
Reversal of impairments in associates	**—**	—	—	962 531	962 531	—	—	
Share of profit/(losses) from associates and joint ventures	**900**	—	900	(1 321 533)	(1 328 767)	7 234	(6 334)	(88)
Net profit/(loss) after tax	**463 965**	64 498	399 467	(50 644)	(536 315)	485 671	(86 204)	(18)
Core headline earnings	**477 231**	64 498	412 733	60 988	(442 784)	503 772	(91 039)	(18)
Gross profit margin (%)	**20.87**		20.87	15.46		15.46		
EBITDA margin (%)	**10.11**		9.99	6.35		7.70		

Refer to page 2 for footnote (1) and page 3 for footnote (2).

Revenue generated within the Africa distribution segment declined by R2.2 billion (23%) from R9.7 billion to R7.4 billion. As only the gross profit earned on "PINless top-ups", prepaid electricity, ticketing and universal vouchers is recognised as revenue, on imputing the gross revenue generated thereon, the effective growth in revenue equated to R4.5 billion (12%) from R39.2 billion to R43.7 billion.

Gross revenue generated on "PINless top-ups" increased by R115 million from R10.7 billion to R10.8 billion.

Electricity revenue generated on behalf of the utilities increased by R1.8 billion (11%) from R17.1 billion to R18.9 billion and the net commission earned, mainly calculated based on a kW/hour usage, increased by R4 million (3%) from R142 million to R146 million. The limited growth in commissions was primarily due to inflationary increases based on kW/hour usage offset by a marginal decrease in electricity usage resulting from a higher frequency of load shedding and margin compression, despite an increase in gross electricity revenue driven by NERSA electricity tariffs.

The gross revenue generated from universal vouchers increased by R4.7 billion (311%) from R1.5 billion to R6.2 billion, driven by the continued traction of BluVoucher sales as well as the onboarding of a new financial institution onto the platform. Additionally, gross ticketing revenue increased by R208 million (44%) to R681 million, primarily from revenue generated through commuter bus channels.

Gross profit increased by R56 million (4%) from R1.496 billion to R1.552 billion, congruent with an increase in margins from 15.46% to 20.87%.

Excluding the positive contribution of R8 million in the current period and the negative contributions of R131 million in the prior period, resulting from the recapitalisation transaction of Cell C, EBITDA declined by R2 million to R743 million. Of this decline, CEC showed a negative impact of R186 million, while the remaining Africa operations contributed an additional R184 million compared to the previous period.

The anticipated decline in CEC's EBITDA of R186 million was mainly a result of a decline in gross profit of R155 million stemming from increased expenditure related to the distribution agreement, as well as a significant increase of R49 million in the expected credit loss compared to the previous period. This increase aligns with the expansion of CEC's book and the deteriorating macroeconomic environment in South Africa, marked by rising interest rates, power outages and a depreciating rand. CEC has increased its ECLs in anticipation of heightened future losses, aligning with the approach taken by other consumer lenders.

The positive movement in EBITDA for the remaining Africa operations, amounting to R184 million, includes costs of R47 million attributed to learnership initiatives in the current period, compared to R64 million in the prior period. Excluding the reduction in costs of R17 million associated with the learnership initiatives, EBITDA in the remaining Africa distribution segment increased by R167 million (44%) to reach R547 million.

Excluding the positive contributions of R65 million in the current period and the negative contributions of R443 million in the prior period, resulting from the recapitalisation transaction of Cell C, core headline earnings decreased by R91 million (18%) from R504 million to R413 million. This decrease in core headline earnings was attributable to a decrease of R119 million in CEC, while the remaining entities in the Africa distribution segment increased by R28 million compared to the prior period.

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 2023 R'000	November 2022 R'000	Growth R'000	Growth %
Revenue	**143 379**	145 424	(2 045)	(1)
Gross profit	**45 900**	43 781	2 119	5
EBITDA	**19 267**	21 045	(1 778)	(8)
Share of profits from associates and joint ventures	**5 738**	1 405	4 333	308
Core headline earnings	**21 909**	18 077	3 832	21
Gross profit margin (%)	**32.01**	30.11		
EBITDA margin (%)	**13.44**	14.47		

A decline in SMS volumes resulted in a decrease in revenue of R2 million (1%) from R145 million to R143 million.

Gross profit increased by R2 million (5%) from R44 million to R46 million, consistent with the increase in margins from 30.11% to 32.01%, despite a decrease in revenue.

EBITDA declined by R2 million (8%) from R21 million to R19 million. Excluding the R9 million costs attributable to learnership initiatives in the current period and R5 million in the prior period, EBITDA increased by R2 million (6%) from R26 million to R28 million.

Of the core headline earnings of R22 million, BLDS accounted for R17.7 million, I Talk Holdings and I Talk Financial Services generated earnings of R5 million, of which the Group's share amounted to R2 million. Blue Label Communications and BluTrain generated earnings of R1 million and R5 million, of which the Group's share amounted to R0.6 million and R1.7 million, respectively.

Of the core headline earnings of R18.1 million in the prior period, BLDS accounted for R16.9 million. I Talk Holdings and I Talk Financial Services generated earnings of R4.0 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.

COMMENTARY CONTINUED

CORPORATE

	November 2023 R'000	November 2022 R'000	Extraneous income[3] November 2022 R'000	Remaining November 2022 R'000	Growth remaining R'000	Growth remaining %
EBITDA	**(70 344)**	(37 024)	22 000	(59 024)	(11 320)	(19)
Net loss from continuing operations	**(76 574)**	(52 338)	22 000	(74 338)	(2 236)	(3)
Core headline earnings	**(76 574)**	(52 334)	22 000	(74 334)	(2 240)	(3)

Excluding the extraneous income of R22 million in the prior period, the negative contribution to Group core headline earnings increased by R2 million (3%) to R77 million.

The extraneous fair value movement of R22 million in the prior 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, AMORTISATION AND IMPAIRMENT CHARGES

Depreciation, amortisation and impairment charges decreased by R18 million to R72 million. Of the latter amount, R35 million (2022: R35 million) pertained to depreciation on capital expenditure, R5 million (2022: R15 million) to depreciation raised in terms of IFRS 16 – *Leases*, R2 million (2022: R4 million) to impairments and R30 million (2022: R36 million) to the amortisation of intangible assets of which R15 million (2022: R22 million) emanated from purchase price allocations on historical acquisitions.

FINANCE COSTS

Finance costs increased by R211 million from R248 million to R459 million. Of the latter amount, R431 million was associated with interest paid on borrowed funds, R2 million with the unwinding of the lease liability in accordance with IFRS 16 and R26 million with other finance costs. In comparison, R239 million was related to interest paid on borrowed funds, R2 million to the unwinding of the lease liability and R7 million to other finance costs.

The recapitalisation transaction of Cell C in September 2022 resulted in an additional R164 million (2022: R87 million) in finance costs, incurred due to increased borrowings related to airtime sale and repurchase obligations, as well as R13 million (2022: R3 million) for the issue of Class A Preference shares in the current period.

Excluding the aforementioned recapitalisation interest, finance costs increased by an additional R124 million from R158 million to R282 million. Of this increase, R102 million primarily stemmed from higher finance costs due to the expansion of the Group's working capital facility from R1.15 billion to R1.4 billion on the recapitalisation date, as well as the granting of additional short-term working capital facilities for bulk inventory purchases at favourable rebates, along with elevated interest rates compared to the previous period. Furthermore, of the remaining increase of R22 million, R3 million resulted from Comm Equipment Company Proprietary Limited working capital financing facility of R1.9 billion from African Bank and R19 million was attributed to other finance costs.

FINANCE INCOME

Finance income increased by R221 million from R131 million to R352 million. Of the latter amount, R16 million was attributable to interest received on cash resources, R54 million to the loan provided to Cell C in connection with the CEC R1.1 billion deferral amount, R273 million from the loan extended to Cell C as a component of the Debt Funding required as part of the recapitalisation transaction and R9 million from other loans advanced.

In the prior period, R46 million was attributable to interest received on cash resources, R25 million to the loan to Cell C relating to the CEC R1.1 billion deferral amount, R54 million from the loan extended to Cell C and R6 million from other loans advanced.

STATEMENT OF FINANCIAL POSITION

Total assets decreased by R230 million to R14.5 billion, of which non-current assets accounted for R117 million and current assets for R113 million.

The decline in non-current assets included decreases of R148 million in advances to customers, R73 million in intangible assets primarily relating to the subscription income-sharing arrangement in CEC, R22 million in capital expenditure net of depreciation and financial assets at fair value through profit and loss of R17 million. These declines were offset by increases in loans to associates and joint ventures, totalling R138 million and investments in associates and joint ventures by R6 million.

The net reduction in current assets included decreases in advances to customers amounting to R333 million, cash and cash equivalents amounting to R169 million, financial assets at fair value through profit and loss amounting to R29 million, financial assets at fair value through other comprehensive income of R13 million, current tax assets of R8 million and inventory of R6 million. These decreases were offset by an increase in trade and other receivables amounting to R436 million and loans to associates and joint ventures by R7 million.

In August 2023, CEC concluded a financing transaction with African Bank, allowing CEC to sell device receivables to African Bank. From August 2023 to November 2023, CEC sold device receivables with a gross value of R577 million. The equivalent value on 30 November 2023 would have amounted to R544 million, had those receivables not been disposed of. CEC's advances to customers decreased by R481 million from R2.26 billion on 31 May 2023, to R1.78 billion on 30 November 2023. When combined with the equivalent value sold to African Bank at 30 November 2023, CEC's advances to customers increased by R63 million over that period.

The increase of R145 million in loans to associates and joint ventures is primarily attributable to the interest accrued of R273 million from the loan extended to Cell C as a component of the Debt Funding and reinvestment instrument and R54 million related to the loan extended on the CEC deferral amount, less repayments received thereon of R182 million.

Inventory remained consistent at R2.8 billion, with the Group having purchased R1.2 billion of Cell C prepaid airtime in the previous period as part of the recapitalisation transaction.

Net profit attributable to equity holders amounted to R406 million, resulting in accumulated capital and reserves of R4.9 billion.

Non-current liabilities decreased by R1.44 billion, comprising a decrease in non-current borrowings of R1.45 billion, financial liabilities at fair value through profit and loss of R4 million and lease liabilities of R4 million, offset by an increase in deferred taxation liabilities of R15 million.

Current liabilities increased by R805 million, mainly due to an increase in current borrowings of R1.45 billion, offset by a reduction in trade and other payables totalling R568 million, deferred revenue by R50 million and current tax liabilities by R30 million.

STATEMENT OF CASH FLOWS

Cash generated from trading operations amounted to R288 million. Working capital movements included an increase in trade receivables of R436 million and a decrease in trade and other payables, including deferred revenue, of R644 million offset by decreases in advances to customers of R481 million and inventory of R3 million. After incurring net finance costs of R347 million and taxation of R119 million, net cash utilised in operating activities amounted to R177 million.

Net cash flows generated from investing activities amounted to R47 million, primarily attributable to the net repayment of loans to associates and joint ventures of R120 million and the repayment of loans receivable carried at fair value of R45 million, offset by the purchase of intangible assets amounting to R99 million and property, plant and equipment amounting to R30 million.

COMMENTARY CONTINUED

Included in net loan repayments by associates and joint ventures of R120 million are capital repayments by Cell C of R128 million offset by net loans granted to other associates and joint ventures of R8 million.

Cash flows utilised in financing activities amounted to R39 million, of which R18 million related to the net decrease in borrowings, R15 million to dividends paid to a minority shareholder of a subsidiary company and R6 million to lease repayments.

Cash and cash equivalents accumulated to R1.13 billion at 30 November 2023.

FORFEITABLE SHARE SCHEME

Forfeitable shares totalling 17 336 415 (2022: 10 470 826) were issued to qualifying employees. During the period, 511 995 (2022: 1 104 557) shares were forfeited and 12 694 462 (2022: 16 764 722) shares vested.

SUBSEQUENT EVENTS

In December 2023, Comm Equipment Company (CEC) concluded a new facility arrangement with African Bank Limited for an amount of up to R1.9 billion (The Facility). The Facility was utilised to repay the total amount owed to African Bank Limited as at 30 November 2023 amounting to R1.327 billion. The Facility is structured as a revolving facility for the first 12 months until 30 November 2024, followed by 36 equal monthly instalments commencing on 1 December 2024, with a final instalment of R215 million payable on 30 November 2027. The Facility attracts a floating interest rate at prime plus 3% and is collateralised by a portion of CEC's subscriber receivables. The parent guarantee of R250 million provided by Blue Label Telecoms remains intact.

APPRECIATION

The Blue Label Board would like to extend its gratitude to the staff, suppliers, customers and business partners for their ongoing support and dedication 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

21 February 2024

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

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

For the six months ended	Note	30 November 2023 Unaudited R'000	30 November 2022 Unaudited R'000
Revenue		**7 421 837**	9 627 700
Finance revenue		**159 519**	195 443
Total revenue	4	**7 581 356**	9 823 143
Other income		**26 197**	15 071
Direct operating costs*		**(5 983 475)**	(8 283 508)
Employee compensation and benefit expense		**(441 852)**	(440 766)
Depreciation and amortisation		**(71 587)**	(90 061)
Bad debts, expected credit losses and fair value movements		**(157 039)**	(124 058)
Gain/(loss) on modification of financial instrument		**10 989**	(64 500)
Other expenses		**(339 173)**	(315 977)
Operating profit		**625 416**	519 344
Finance costs		**(459 311)**	(247 765)
Finance income		**352 592**	131 402
Reversal of impairment of investment in associate		**—**	962 531
Share of profits/(losses) from associates and joint ventures	5.1	**6 639**	(1 320 127)
Profit before taxation		**525 336**	45 385
Taxation		**(112 149)**	(113 560)
Profit/(loss) for the period		**413 187**	(68 175)
Other comprehensive income:			
Items reclassified to profit or loss			
Effective and ineffective portion of hedging instruments reclassified to profit and loss, net of tax		**(6 318)**	—
Items that may be subsequently reclassified to profit or loss			
Share of other comprehensive (loss)/income of associates and joint ventures		**(306)**	723
(Loss)/gain arising on changes in fair value of hedging instruments, net of tax		**(7)**	1 199
Other comprehensive (loss)/income for the period, net of tax		**(6 631)**	1 922
Total comprehensive income/(loss) for the period		**406 556**	(66 253)
Profit/(loss) for the period attributable to:		**413 187**	(68 175)
Equity holders of the parent		**406 423**	(76 934)
Non-controlling interest		**6 764**	8 759
Total comprehensive income/(loss) for the period attributable to:		**406 556**	(66 253)
Equity holders of the parent		**399 792**	(75 012)
Non-controlling interest		**6 764**	8 759
Earnings per share (cents)			
Basic	2	**45.67**	(8.74)
Diluted	2	**45.36**	(8.74)

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

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

As at	Note	30 November 2023 Unaudited R'000	31 May 2023 Audited R'000
ASSETS			
Non-current assets		**5 582 959**	5 700 072
Property, plant and equipment		**202 238**	224 362
Right-of-use assets		**20 201**	24 577
Intangible assets		**1 510 288**	1 583 231
Goodwill		**717 475**	717 475
Investments in associates and joint ventures	5.1	**89 517**	83 185
Loans to associates and joint ventures	5.1	**2 052 070**	1 913 645
Loans receivable		**66 111**	65 386
Advances to customers		**662 516**	810 252
Financial assets at fair value through profit or loss	6	**95 678**	113 151
Deferred taxation assets		**166 865**	164 808
Current assets		**8 904 878**	9 018 238
Loans to associates and joint ventures	5.1	**248 199**	241 402
Inventories*		**2 828 768**	2 834 914
Loans receivable		**39 752**	38 804
Trade and other receivables		**3 496 876**	3 060 510
Advances to customers		**1 114 031**	1 446 950
Financial assets at fair value through profit or loss	6	**31 891**	61 028
Financial assets at fair value through other comprehensive income		**—**	12 914
Current tax assets		**11 235**	18 946
Cash and cash equivalents		**1 134 126**	1 302 770
Total assets		**14 487 837**	14 718 310
EQUITY AND LIABILITIES			
Capital and reserves		**4 849 586**	4 439 543
Issued share capital and premium		**7 562 077**	7 521 248
Other reserves		**(2 905 115)**	(2 877 012)
Retained earnings		**90 082**	(316 341)
Total ordinary shareholders' equity		**4 747 044**	4 327 895
Non-controlling interest		**102 542**	111 648
Non-current liabilities		**802 016**	2 247 191
Deferred taxation liabilities		**334 466**	319 140
Non-current lease liability		**19 140**	23 462
Financial liabilities at fair value through profit or loss	6	**57 721**	61 824
Borrowings	7	**390 689**	1 842 765
Current liabilities		**8 836 235**	8 031 576
Trade and other payables		**5 068 606**	5 636 270
Deferred revenue		**37 682**	87 434
Lease liability		**9 037**	9 239
Current tax liabilities		**38 564**	68 275
Borrowings	7	**3 682 335**	2 230 355
Bank overdraft		**11**	3
Total equity and liabilities		**14 487 837**	14 718 310

* Refer to note 5.3.3 for details of the restricted stock.

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 2022	7 544 531	(585 307)	(2 871 437)	4 087 787	99 811	4 187 598
Profit for the year	—	268 966	—	268 966	19 207	288 173
Other comprehensive income	—	—	(2 554)	(2 554)	—	(2 554)
Total comprehensive income	—	268 966	(2 554)	266 412	19 207	285 619
Treasury shares purchased	(66 033)	—	—	(66 033)	—	(66 033)
Equity compensation benefit scheme shares vested	42 750	—	(41 423)	1 327	(1 327)	—
Equity compensation benefit movement	—	—	38 443	38 443	1 569	40 012
Acquisition of non-controlling interest	—	—	(41)	(41)	(5 138)	(5 179)
Dividends paid	—	—	—	—	(2 474)	(2 474)
Balance as at 31 May 2023	7 521 248	(316 341)	(2 877 012)	4 327 895	111 648	4 439 543

	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 2023	**7 521 248**	**(316 341)**	**(2 877 012)**	**4 327 895**	**111 648**	**4 439 543**
Profit for the period	**—**	**406 423**	**—**	**406 423**	**6 764**	**413 187**
Other comprehensive income	**—**	**—**	**(6 631)**	**(6 631)**	**—**	**(6 631)**
Total comprehensive income	**—**	**406 423**	**(6 631)**	**399 792**	**6 764**	**406 556**
Sale of treasury shares	**207**	**—**	**—**	**207**	**—**	**207**
Equity compensation benefit scheme shares vested	**40 622**	**—**	**(38 926)**	**1 696**	**(1 696)**	**—**
Equity compensation benefit movement	**—**	**—**	**17 454**	**17 454**	**825**	**18 279**
Dividends paid	**—**	**—**	**—**	**—**	**(14 999)**	**(14 999)**
Balance as at 30 November 2023	**7 562 077**	**90 082**	**(2 905 115)**	**4 747 044**	**102 542**	**4 849 586**

CONDENSED GROUP STATEMENT OF CASH FLOWS

For the six months ended	30 November 2023 Unaudited R'000	30 November 2022 Unaudited R'000
Cash flows from operating activities		
Cash generated/(utilised) by operations	**288 482**	(154 649)
Interest received	**78 403**	77 080
Interest paid	**(424 904)**	(236 111)
Taxation paid	**(118 539)**	(80 478)
Net cash utilised in operating activities	**(176 558)**	(394 158)
Cash flows from investing activities		
Acquisition of intangible assets and property, plant and equipment*	**(129 866)**	(844 520)
Additional investment in associate	**—**	(366 236)
Loans repaid by/(advanced to) associates and joint ventures	**119 627**	(998 047)
Loans receivable (advanced)/repaid	**(2 436)**	2 889
Loans receivable carried at fair value repaid	**45 419**	—
Other investing activities	**13 801**	3 056
Net cash generated from/(utilised in) investing activities	**46 545**	(2 202 858)
Cash flows from financing activities		
Interest-bearing borrowings (repaid)/raised**	**(17 667)**	2 162 810
Issuance of Class B Preference shares	**—**	66 859
Lease repayments	**(6 180)**	(20 339)
Sale/(acquisition) of treasury shares	**207**	(66 033)
Dividends paid to non-controlling interest***	**(14 999)**	—
Net cash (utilised in)/generated from financing activities	**(38 639)**	2 143 297
Net decrease in cash and cash equivalents	**(168 652)**	(453 719)
Cash and cash equivalents at the beginning of the period	**1 302 767**	2 723 528
Cash and cash equivalents at the end of the period	**1 134 115**	2 269 809

* Acquisitions of intangible assets in the prior period include significant cash outflows of R726 million relating to the subscription income-sharing arrangement and subscriber acquisition costs.
** Included in interest-bearing borrowings raised in the prior period is R165 million relating to the issuance of Class A Preference shares which, due to their nature, have been classified as interest-bearing borrowings.
*** Represents a dividend paid to a minority shareholder of a subsidiary company.

NOTES TO THE FINANCIAL STATEMENTS

1. HEADLINE EARNINGS

	Total	
For the six months ended	30 November 2023 Unaudited R'000	30 November 2022 Unaudited R'000
Profit/(loss) attributable to equity holders of the parent	**406 423**	(76 934)
Net loss/(profit) on disposal of property, plant and equipment	**913**	(853)
Impairment of property, plant and equipment	**1 514**	2 680
Reversal of impairment of investment in associate	**—**	(962 531)
Net (profit)/loss on disposal of property, plant and equipment in associate/joint venture	**(310)**	5 991
Impairment of property, plant and equipment in associate	**—**	330 129
Impairment of intangible assets in associate	**—**	516 009
Impairment of right-of-use assets in associate	**—**	203 889
Headline earnings	**408 540**	18 380
Headline earnings per share (cents)	**45.91**	2.09

2. SHARE PERFORMANCE

	Total			
	Attributable earnings		Cents per share	
For the six months ended	30 November 2023 Unaudited R'000	30 November 2022 Unaudited R'000	30 November 2023 Unaudited	30 November 2022 Unaudited
Headline earnings				
Basic	**408 540**	18 380	**45.91**	2.09
Diluted	**408 540**	18 380	**45.59**	2.07
Core	**419 575**	34 700	**47.15**	3.94
Earnings attributable to ordinary equity holders				
Basic	**406 423**	(76 934)	**45.67**	(8.74)
Diluted	**406 423**	(76 934)	**45.36**	(8.74)
Weighted average number of shares				
Weighted average number of ordinary shares	**889 918 120**	880 748 605		
Adjusted for forfeitable shares	**6 135 984**	8 975 234		
Weighted average number of ordinary shares for diluted earnings	**896 054 104**	889 723 839		
Number of shares in issue	**913 655 874**	913 655 874		
Number of shares in issue excluding treasury shares	**896 332 571**	881 768 827		
Reconciliation between profit and core headline earnings for the period:				
Profit/(loss) for the period attributable to equity holders of the parent	**406 423**	(76 934)		
Amortisation of intangible assets raised through business combinations net of tax and net of non-controlling interest	**11 035**	16 320		
Core profit/(loss) for the period	**417 458**	(60 614)		
Headline earnings adjustments	**2 117**	95 314		
Core headline earnings	**419 575**	34 700		
Core headline earnings per share (cents)	**47.15**	3.94		

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. SEGMENTAL SUMMARY

For the six months ended 30 November 2023	Total Unaudited R'000	Africa Distribution Unaudited R'000	International Unaudited R'000	Solutions Unaudited R'000	Corporate Unaudited R'000
Total segment revenue	**10 509 093**	**10 222 947**	**—**	**149 850**	**136 296**
Internal revenue	**(2 927 737)**	**(2 784 970)**	**—**	**(6 471)**	**(136 296)**
Revenue	**7 581 356**	**7 437 977**	**—**	**143 379**	**—**
Operating profit/(loss) before depreciation and amortisation	**697 003**	**751 647**	**(3 567)**	**19 267**	**(70 344)**
Profit/(loss) for the period attributable to equity holders of the parent	**406 423**	**463 965**	**(2 991)**	**22 023**	**(76 574)**
Amortisation of intangibles raised through business combinations net of tax and non-controlling interest	**11 035**	**11 035**	**—**	**—**	**—**
Headline earnings adjustments	**2 117**	**2 231**	**—**	**(114)**	**—**
Core headline earnings for the period	**419 575**	**477 231**	**(2 991)**	**21 909**	**(76 574)**

For the six months ended 30 November 2022	Total Unaudited R'000	Africa Distribution Unaudited R'000	International Unaudited R'000	Solutions Unaudited R'000	Corporate Unaudited R'000
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 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)

4. REVENUE

	Total		**Africa Distribution**		**Solutions**	
	30 November 2023 Unaudited R'000	30 November 2022 Unaudited R'000	**30 November 2023 Unaudited R'000**	30 November 2022 Unaudited R'000	**30 November 2023 Unaudited R'000**	30 November 2022 Unaudited R'000
Revenue from contracts with customers	**7 175 473**	9 089 636	**7 032 094**	8 944 212	**143 379**	145 424
Prepaid airtime, data and related revenue	**4 752 000**	6 873 196	**4 752 000**	6 873 196	**—**	—
Postpaid airtime, data and related revenue	**72 901**	73 633	**72 901**	73 633	**—**	—
Prepaid and postpaid SIM cards	**194 646**	238 602	**194 646**	238 602	**—**	—
Services	**239 477**	230 633	**96 098**	85 209	**143 379**	145 424
Electricity commission	**158 468**	158 895	**158 468**	158 895	**—**	—
Handsets, tablets and other devices[1]	**1 470 075**	1 225 852	**1 470 075**	1 225 852	**—**	—
Other revenue*	**287 906**	288 825	**287 906**	288 825	**—**	—
Subscription income share[1]	**246 364**	538 064	**246 364**	538 064	**—**	—
Revenue	**7 421 837**	9 627 700	**7 278 458**	9 482 276	**143 379**	145 424
Finance revenue	**159 519**	195 443	**159 519**	195 443	**—**	—
Total revenue	**7 581 356**	9 823 143	**7 437 977**	9 677 719	**143 379**	145 424

[1] In the comparative figures, R1.1 billion has been reclassified within Revenue from "Subscription income share" to "Handsets, tablets and other devices" in line with the change in the contractual arrangement in June 2022 between the Group and Cell C resulting in the Group taking over the stock risk for postpaid contract devices and control over the devices until ultimate sale to subscribers. Consequently these subscribers are considered customers of the Group for postpaid device sales and the related consideration received, net of discounts, is recorded within the "Handsets, tablets and other devices" category. The revenue earned in the comparative period was already accounted at fair value of the handset sold in accordance with the change in the contractual arrangements between the Group and Cell C and requires no further adjustment to either Revenue or Cost of Sales.

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

5. INVESTMENTS IN AND LOANS TO ASSOCIATES AND JOINT VENTURES

5.1 Summary of investments in and loans to Cell C, other associates and other joint ventures

The Group holds the following investments in and loans to associates and joint ventures:

	Cost and share of reserves		**Loans**		**Investments and loans**	
	30 November 2023 R'000	31 May 2023 R'000	**30 November 2023 R'000**	31 May 2023 R'000	**30 November 2023 R'000**	31 May 2023 R'000
Cell C Limited	**—**	—	**2 249 552**	2 110 982	**2 249 552**	2 110 982
Other associates and joint ventures	**89 517**	83 185	**50 717**	44 065	**140 234**	127 250
	89 517	83 185	**2 300 269**	2 155 047	**2 389 786**	2 238 232
Disclosed as:						
– Non-current assets	**89 517**	83 185	**2 052 070**	1 913 645	**2 141 587**	1 996 830
– Current assets	**—**	—	**248 199**	241 402	**248 199**	241 402

5. INVESTMENTS IN AND LOANS TO ASSOCIATES AND JOINT VENTURES continued

5.1 Summary of investments in and loans to Cell C, other associates and other joint ventures continued

Investment in Principal activity Country of incorporation	Associate Cell C Limited Network provider South Africa		Other associates and joint ventures*		Total	
	30 November 2023 Unaudited R'000	31 May 2023 Audited R'000	Unaudited 30 November 2023 Unaudited R'000	Audited 31 May 2023 Audited R'000	Unaudited 30 November 2023 Unaudited R'000	Audited 31 May 2023 Audited R'000
Cost and share of reserves at the beginning of the period	**—**	—	**83 185**	76 147	**83 185**	76 147
Acquisition of associates and joint ventures	**—**	—	**—**	6 373	**—**	6 373
Share of (losses)/profits from associates and joint ventures	**—**	(1 328 767)	**6 639**	(980)	**6 639**	(1 329 747)
Share of results after tax	**—**	(1 328 767)	**6 639**	(980)	**6 639**	(1 329 747)
Foreign currency translation reserve	**—**	—	**(307)**	1 645	**(307)**	1 645
Additional investment	**—**	366 236	**—**	—	**—**	366 236
Reversal of impairment of investment in associate	**—**	962 531	**—**	—	**—**	962 531
Cost and share of reserves at the end of the period	**—**	—	**89 517**	83 185	**89 517**	83 185
Loans to associates and joint ventures						
Loans at the beginning of the period	**2 110 982**	—	**44 065**	48 603	**2 155 047**	48 603
Loans granted to associates and joint ventures	**327 405**	2 442 744	**37 747**	66 000	**365 152**	2 508 744
Loans repaid by associates and joint ventures	**(182 015)**	(212 004)	**(30 078)**	(63 552)	**(212 093)**	(275 556)
Loans waived	**—**	—	**—**	(4 000)	**—**	(4 000)
Expected credit loss	**(6 820)**	(55 258)	**(1 017)**	(2 986)	**(7 837)**	(58 244)
Loss on modification of financial instrument	**—**	(64 500)	**—**	—	**—**	(64 500)
Loans at the end of the period	**2 249 552**	2 110 982	**50 717**	44 065	**2 300 269**	2 155 047
Closing net book value	**2 249 552**	2 110 982	**140 234**	127 250	**2 389 786**	2 238 232
Share of (losses)/profits from associates and joint ventures	**—**	(1 328 767)	**6 639**	(980)	**6 639**	(1 329 747)

* 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 joint ventures".

5.2 Investments in and loans to Cell C

5.2.1 Investment in Cell C

As at 30 November 2023, BLT through its wholly owned subsidiary, The Prepaid Company (TPC), holds 49.53% participatory interest in Cell C.

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 or necessitates the reversal of previous impairments as a result of an indication, 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.

Shareholding in Cell C

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

Following the recapitalisation of Cell C, TPC has a shareholding and voting rights of 49.53% in Cell C, as well as additional interests of 13.66%, derived as follows:

	Percentage
Pre-recapitalisation shareholding	45.00
Sale of shares (SPV4)	(5.00)
Net new issue	9.53
Dilution	(29.61)
New issue	39.14
Post-recapitalisation shareholding	49.53
Post-recapitalisation shareholding without voting rights	13.66
SPV1	3.19
SPV4 – Loan to SPV4	5.47
SPV4 – Sale of a 5% shareholding in Cell C to SPV4 on loan account	5.00
Total economic interest	63.19

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 SPV1 and SPV4, TPC is entitled to obtain additional shares comprising 13.66% in aggregate in Cell C at any time from the special purpose vehicles (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.

SPV1 and SPV4 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 SPV1 and SPV4, 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 elects 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.

5. INVESTMENTS IN AND LOANS TO ASSOCIATES AND JOINT VENTURES continued

5.2 Investments in and loans to Cell C continued

5.2.1 Investment in Cell C continued

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 SPV1, SPV4 and SPV5 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.

(c) Going concern of Cell C

For purposes of the Group's interim 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 continues to implement 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.

Valuation of Cell C

In the prior period, as a result of an indication of a further reversal of the previous impairment due to the recapitalisation transaction, an internal valuation was performed in order to determine the value-in-use of Cell C based on cash flow projections incorporated in its five-year business plan. Assumptions relating to the business, the industry and economic growth were applied. Cash flows beyond this point were then extrapolated, applying terminal growth rates. The discount rates used are pre-tax and reflect specific risks related to Cell C. The valuation incorporated the effects of the recapitalisation, which was effective end September 2022. As at 30 November 2023, there was no indication of a further reversal of the previous impairment and no further adjustment was required. For the inputs relating to the previous valuation, refer to the annual financial statements as at May 2023.

The sensitivities were stress tested at 30 November 2023 and no further adjustments were required.

Exposure to Cell C

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

	30 November 2023 R'000	31 May 2023 R'000
Concentration of credit risk:		
Loans receivable	2 311 630	2 166 240
Loss allowance on Cell C loans receivables	(62 078)	(55 258)
Trade receivables	236 770	518 031
Loss allowance on Cell C trade receivables	(2 416)	(2 403)
Other receivables	118 236	214 548
Loss allowance on Cell C other receivables	(53 375)	(53 375)
Payables due to Cell C:		
Trade payables	(50 522)	(308 823)

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

Summarised balance sheet of Cell C

Investment in	Associate	
	Cell C Limited	
Principal activity	Mobile network	
Country of incorporation	South Africa	
Financial year-end*	31 December	
	30 November 2023 R'000	31 May 2023 R'000
Statement of financial position		
Non-current assets	11 467 032	11 781 135
Current assets	775 892	3 234 213
	12 242 924	15 015 348
Capital and reserves	(4 391 687)	(4 047 141)
Non-current liabilities	6 333 929	6 698 254
Current liabilities	10 300 682	12 364 235
	12 242 924	15 015 348
Effective percentage held (%)	49.53	49.53
Effective economic percentage held (%)	63.19	63.19
Total capital and reserves	(4 391 687)	(4 047 141)
Cell C capital and reserves	(11 679 156)	(11 354 946)
Carrying value of purchase price allocations net of deferred taxation	7 287 469	7 307 805
Accumulated impairment	(1 558 621)	(1 558 621)
Accumulated losses not guaranteed	(2 260 855)	(2 048 072)

* 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's share of accumulated losses not guaranteed

	30 November 2023 R'000
Opening balance as at 1 June 2023	(2 048 072)
Share of losses for the six months ending 30 November 2023	(212 783)
Closing balance	(2 260 855)

5. INVESTMENTS IN AND LOANS TO ASSOCIATES AND JOINT VENTURES continued

5.2 Investments in and loans to Cell C continued

5.2.1 Investment in Cell C continued

Summarised income statement of Cell C

Financial year*	1 June 2023 to 30 November 2023 R'000	1 June 2022 to 30 November 2022 R'000
Statement of comprehensive income for the six months ended		
Revenue	**5 964 064**	6 393 316
Net (loss)/profit before taxation	**(336 735)**	5 813 525
Taxation	**—**	—
Net (loss)/profit after taxation	**(336 735)**	5 813 525
Other comprehensive income	**—**	—
Share of total comprehensive income	**—**	—
Effective economic percentage held (%)	**63.19**	63.19
Share of (losses)/profits**	**(212 783)**	2 573 318

* 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.

5.2.2 Loans to Cell C

	Debt Funding Unaudited R'000	Reinvestment Instrument Unaudited R'000	Deferral loan* Unaudited R'000	Total Unaudited R'000
Opening balance as at 1 June 2023	**1 063 213**	**134 831**	**912 938**	**2 110 982**
Interest received	**244 402**	**28 740**	**54 264**	**327 406**
Payments received	**—**	**—**	**(182 016)**	**(182 016)**
Allowance (loss)/gain	**(14 476)**	**(1 092)**	**8 748**	**(6 820)**
Closing balance as at 30 November 2023	**1 293 139**	**162 479**	**793 934**	**2 249 552**

* At 30 November 2023, Cell C has met its payment obligations.

	Total loans		Current		Non-current	
	30 November 2023 Unaudited R'000	Audited 31 May 2023 Audited R'000	**Unaudited 30 November 2023 Unaudited R'000**	Audited 31 May 2023 Audited R'000	**Unaudited 30 November 2023 Unaudited R'000**	Audited 31 May 2023 Audited R'000
Cell C Limited	**2 249 552**	2 110 982	**224 416**	221 670	**2 025 136**	1 889 312

5.3 Borrowings relating to the recapitalisation transaction

5.3.1 TPC borrowings – from lenders and other third parties

(i) an airtime sale and repurchase – lenders;
(ii) an airtime sale and repurchase – other third parties;
(iii) the issue of Class A Preference Shares; and
(iv) the issue of Class B Preference Shares.

	Airtime sale and repurchase obligations			Preference Share A*
	From lenders(i) Unaudited R'000	**From other third parties(ii) Unaudited R'000**	**Total Unaudited R'000**	**Preference Share A(iii) Unaudited R'000**
Opening balance as at 1 June 2023	**857 319**	**130 926**	**988 245**	**172 107**
Interest expense	**151 362**	**12 922**	**164 284**	**13 401**
Gain on modification of financial liability	**—**	**—**	**—**	**(10 989)**
Repayments	**(421 150)**	**(88 122)**	**(509 272)**	**–**
Closing balance as at 30 November 2023	**587 531**	**55 726**	**643 257**	**174 519**
Amounts included in current portion of borrowings	**587 531**	**55 726**	**643 257**	**—**
Amounts included in non-current portion of borrowings	**—**	**—**	**—**	**174 519**

* The preference dividends are indexed to 15% of the 'upside' realised by TPC on the Debt Funding to Cell C. The liability has been modified for the change in expectations of the future dividends payable based on the updated expectation of the future cash flows related to the Debt Funding.

(i) Airtime sale and repurchase – from lenders

On the recapitalisation of Cell C in September 2022, TPC sold Cell C airtime vouchers with an aggregate face value of R2.115 billion (including VAT) for cash of R1.692 billion (including VAT) (R1.471 billion, excluding VAT) to the lenders. TPC was required to repurchase the airtime vouchers in 48 semi-monthly tranches from October 2022 to September 2024. After the first repurchase payment of R44.8 million (including VAT), the semi-monthly repurchase payments are R40.4 million (including VAT). This represents an implicit interest rate of 13.6%. Since the recapitalisation of Cell C, TPC has repurchased, in 28 tranches, stock with an aggregate face value of R1.233 billion (including VAT) for a cash consideration of R1.135 billion (including VAT), resulting in the balance of face value stock remaining as at 30 November 2023 of R882 million.

(ii) Airtime sale and repurchase – other third parties

TPC sold Cell C airtime vouchers with an aggregate face value of R315 million (including VAT) for cash of R250 million (including VAT) (R217 million, excluding VAT) to the third party. TPC will repurchase the airtime vouchers in 18 equal monthly tranches of R16.89 million (including VAT) from October 2022 to March 2024. This represents an implicit interest rate of 25.75%. Since the recapitalisation of Cell C, TPC has repurchased, in 14 tranches, stock with an aggregate face value of R253 million (including VAT) for a cash consideration of R237 million (including VAT, resulting in the balance of face value stock remaining as at 30 November 2023 of R62 million.

(iii) Issue of Class A Preference Shares

Refer to the table above.

(iv) Issue of Class B Preference Shares

Refer to note 6.

5.3.2 Bulk airtime purchases from Cell C

TPC was required to purchase, by way of four further quarterly payments of R300 million (incl. VAT), with a face value of R498 million (including 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. The first payment of R300 million (Incl. VAT) was made in October 2023.

5. INVESTMENTS IN AND LOANS TO ASSOCIATES AND JOINT VENTURES continued

5.3 Borrowings relating to the recapitalisation transaction continued

5.3.3 Restricted inventory

Of the carrying value of inventory as of 30 November 2023, R660 million (excluding VAT) is restricted as 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 inventory, and the repurchase obligation has been recognised as borrowings. As airtime inventory is repurchased it becomes unrestricted and is available to be sold. During the following 12 months, TPC is required to repurchase this balance of the restricted stock.

Included in the carrying value of inventory as of 30 November 2023 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 28 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 28 March 2026 or earlier should certain trigger events occur.

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. Movements in the instruments are as follows:

	Surety loan receivable Unaudited R'000	Loans receivable Unaudited R'000	SPV5 derivative liability Unaudited R'000	Class B Preference shares Unaudited R'000	Total Unaudited R'000
Opening balance as at 1 June 2023	**129 315**	**44 864**	**(11 050)**	**(50 774)**	**112 355**
Repayments	—	(45 419)	—	—	(45 419)
Fair value (loss)/gain recognised in profit or loss	(1 746)	555	(188)	4 291	2 912
Closing balance as at 30 November 2023	**127 569**	**—**	**(11 238)**	**(46 483)**	**69 848**
Financial assets at fair value through profit or loss – included in current assets	31 891	—	—	—	31 891
Financial assets at fair value through profit or loss – included in non-current assets	95 678	—	—	—	95 678
Financial liabilities at fair value through profit or loss – included in non-current liabilities	—	—	(11 238)	(46 483)	(57 721)
	127 569	—	(11 238)	(46 483)	69 848
Unrealised loss	1 746	—	—	—	1 746

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 February 2024 the payment terms for the surety loans were renegotiated, with the payments being agreed as instalments payable annually commencing on 30 September 2025 and ending on 30 September 2030.

7. 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 2023 Unaudited R'000	31 May 2023 Audited R'000
Interest-bearing borrowings	**4 072 306**	4 070 401
Non-interest-bearing borrowings	**718**	2 719
	4 073 024	4 073 120
Current and non-current amount of borrowings:		
Total borrowings	**4 073 024**	4 073 120
Amounts included in non-current portion of borrowings	**390 689**	1 842 765
Amounts included in current portion of borrowings	**3 682 335**	2 230 355
Categories of borrowings:		
Total borrowings	**4 073 024**	4 073 120
Facilities	**3 211 521**	2 902 722
Airtime repurchase obligations (refer to note 5.3.1)	**643 257**	988 245
Class A Preference shares (refer to note 5.3.1)	**174 519**	172 107
Other third-party borrowings	**43 727**	10 046

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

The carrying value of all borrowings approximates their fair value.

Included in borrowings of R4.1 billion is an amount of R1.3 billion owing by Comm Equipment Company to African Bank. Refer to the subsequent events paragraph (note 9) regarding new facility arrangements.

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 2022	2 094 000	474 471	2 568 471
Acquisition of subsidiaries interest-bearing borrowings	12 672	—	12 672
Acquisition of subsidiaries non-interest-bearing borrowings	2 000	—	2 000
Movement between current and non-current	(156 964)	156 964	—
Loan forgiveness	—	(2 778)	(2 778)
Loan modification	—	(7 047)	(7 047)
Interest-bearing borrowings raised	701 479	1 207 966	1 909 445
Interest accrued on interest-bearing borrowings	630 221	13 189	643 410
Interest-bearing borrowings capital repaid	(422 832)	—	(422 832)
Interest-bearing borrowings interest repaid	(630 221)	—	(630 221)
Closing balance as at 31 May 2023	2 230 355	1 842 765	4 073 120
Movement between current and non-current	**1 741 012**	**(1 741 012)**	**—**
Loan modification	**—**	**(10 989)**	**(10 989)**
Interest-bearing borrowings raised	**634 205**	**286 524**	**920 729**
Interest accrued on interest-bearing borrowings	**409 519**	**13 401**	**422 920**
Interest-bearing borrowings capital repaid	**(938 396)**	**—**	**(938 396)**
Interest-bearing borrowings interest repaid	**(394 360)**	**—**	**(394 360)**
Closing balance as at 30 November 2023	**3 682 335**	**390 689**	**4 073 024**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

8. RELATED PARTIES

Significant related-party transactions and balances

	Six months ended 30 November 2023 Unaudited R'000	Six months ended 30 November 2022 Unaudited R'000	Year ended 31 May 2023 Audited R'000
Sales to related parties			
Cell C Limited and its related entities*	**2 254 306**	2 488 389	5 354 565
T3 Telecoms SA Proprietary Limited*	**35 168**	1 484 624	2 232 922
Purchases from related parties			
Cell C Limited and its related entities*	**2 507 405**	4 463 983	7 035 401
Finance revenue from related parties			
Cell C Limited and its related entities*	**—**	36 244	36 244
Interest from related parties			
Cell C Limited and its related entities*	**327 405**	79 785	317 235
Loans to related parties			
Cell C Limited and its related entities*	**2 311 630**	2 082 248	2 166 240
Brett Levy	**63 785**	53 923	64 658
Mark Levy	**63 785**	53 923	64 658
Loss allowance on loans to related parties	**(62 078)**	(14 004)	(55 258)
Amounts due from related parties included in trade receivables			
Cell C Limited and its related entities*	**236 770**	305 421	518 031
Loss allowance on trade receivables to related parties	**(2 416)**	(2 841)	(2 404)
Amounts due to related parties included in trade payables			
Cell C Limited and its related entities*	**50 522**	219 223	308 823
Amounts due from related parties included in other receivables			
Cell C Limited and its related entities*	**64 861**	—	161 173

* These entities are associates/joint ventures.

9. SUBSEQUENT EVENTS

In December 2023, Comm Equipment Company (CEC) concluded a new facility arrangement with African Bank Limited for an amount of up to R1.9 billion (The Facility). The Facility was utilised to repay the total amount owed to African Bank Limited as at 30 November 2023 amounting to R1.327 billion. The Facility is structured as a revolving facility for the first 12 months until 30 November 2024, followed by 36 equal monthly instalments commencing on 1 December 2024, with a final instalment of R215 million payable on 30 November 2027. The facility attracts a floating interest rate at prime plus 3% and is collateralised by a portion of CEC's subscriber receivables. The parent guarantee of R250 million provided by Blue Label Telecoms remains intact.

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.

The Group has implemented the latest accounting pronouncements from the IASB, that are effective to the Group from 1 June 2023, none of which had any material impact on the Group's financial results for the period. The Group has not early adopted any upcoming accounting pronouncements, that are not yet effective, and the Group is not expecting these pronouncements to have a material impact on the financial results of the Group. Details on changes in accounting policies will be disclosed in the Group's consolidated financial statements for the year ending 31 May 2024.

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 2023 have not been reviewed or audited.

ADMINISTRATION

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LM Nestadt (Chairman)*, BM Levy, MS Levy, H Masondo*, NP Mnxasana*, JS Mthimunye*, LE Mthimunye*, DA Suntup, JS Vilakazi*

(* Independent Non-Executive)

COMPANY SECRETARY
J van Eden

SPONSOR
Investec Bank Limited

AUDITORS
SizweNtsalubaGobodo Grant Thornton Inc.

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