

BLUE LABEL TELECOMS

Integrated annual report 2013



"Why should the sky be the limit...
when there are footprints on the moon"

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Nature of business

Blue Label's core business is the virtual distribution of secure electronic tokens of value (predominantly prepaid airtime and electricity at present) and transactional services across its global footprint of touch points.

The Group's stated strategy is to extend its global footprint of touch points, both organically and acquisitively, to fulfil the significant demand for the delivery of multiple prepaid products and services through a single distributor, across various delivery mechanisms and via numerous merchants or vendors. See the business illustrated on pages 6 and 7.

Why do consumers use prepaid products and services?

- ⊙ Prepaid products are the ultimate budgeting tool, as consumers have absolute choice and control over their spend.
- ⊙ The majority of prepaid transactions are cash based and using prepaid as a payment mechanism eliminates the requirement for credit checks.
- ⊙ Prepaid products can be conveniently topped up, either virtually or physically as and when required by consumers.
- ⊙ Prepaid products are sold across a broad footprint of traditional and non-traditional outlets.
- ⊙ Prepaid products enable the world's unbanked consumers to transact efficiently.

Reporting structure

Approach

This is Blue Label's third integrated annual report in its integrated reporting journey. In following the recommendations of the King Code of Governance principles for South Africa and the structure set out in the Discussion Paper issued by the International Integrated Reporting Council, Blue Label's process aims to link material company information with reference to strategy, governance, performance, remuneration and prospects in such a way that our stakeholders obtain a view of the commercial, social and environmental context within which the Group operates. This report contains issues material to our strategy and of interest to our stakeholders. Blue Label has mapped its stakeholders, in particular its relationship with its employees, providers of capital, the media, customers, business partners and suppliers, communities, educational institutions and government bodies. These stakeholder groupings receive more structured engagement processes than other groupings and the level of inclusivity with these stakeholders is correspondingly more integrated into the Group's strategic thinking (refer to the stakeholder table on pages 45 to 51).

This integrated annual report is the Group's primary report. It covers Blue Label's business segments and their financial and operational performance for the financial year ended 31 May 2013. Non-financial and sustainability information is limited to the South African operations. The report aims to provide stakeholders with the means to assess the Group's ability to create and sustain value over the short, medium and long term.

Reporting framework

Blue Label takes note of the Global Reporting Initiative (GRI) G3 guidelines in terms of its sustainable development reporting process and to facilitate comparability with the reports of other organisations. For this year, Blue Label has not declared a GRI G3 application level, but has rather embarked on a process to determine its transition plan to GRI G4 over the next two years. In addition, this report has been compiled with reference to both King III integrated reporting principles and the Integrated Reporting Council's draft Integrated Reporting Framework. Blue Label uses a risk-based model, which identifies internal risks and stakeholder issues to determine the material content of the report.

How does Blue Label add value?

Within emerging and developing economies, the supply of products and services via prepaid channels is becoming an increasingly significant distribution model. This is because the distribution of physical product is often logistically difficult, a significant portion of consumers in these markets are unbanked/badly banked and therefore transact in cash, and many do not qualify for credit. Given these limitations, these cash consumers are now demanding equal access to first world products and services.

The Group's ability to develop and distribute innovative prepaid products and services through its global footprint of touch points has allowed it to "take" first world products and services to these consumers and bridge the "access" gap.

In essence, Blue Label is able to enhance the consumers' ability to transact conveniently, affordably and with greater accessibility and choice.



Key facts

Founded: 2001. Listed on JSE 2007 as BLU and ADR launched in 2013

2013 revenue: R19 billion

Employees: 1 112

Headquarters: Johannesburg
– offices throughout South Africa

Operations: South Africa, India, Mexico, United Kingdom

Points of presence: In excess of 150 000 in South Africa

Transactions: ±400 million separate monthly transactions

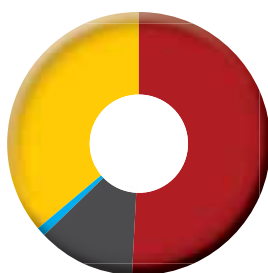
Business model

The high volume distribution and sale of e-tokens of value and complementary services leveraging off a favourable working capital cycle.

Target markets

Focused on serving the total domestic market, in particular unbanked or badly banked consumers, both locally and internationally.

Revenue share (July 2013)



- Vodacom 51%
- MTN 36%
- Cell C 12%
- Telkom 1%

Revenue streams from three income pillars

Trading revenue from the sale of commodities

Presently, the Group is a super distributor of virtual and physical prepaid airtime on behalf of the network operators, as well as of electricity on behalf of the utilities.

Economic slowdowns have seen many post paid consumers migrate towards prepaid in order to enhance their financial flexibility and control their spend. In general, prepaid consumers are purchasing airtime in lower denominations, while also benefiting from the variable call discounts introduced by the major mobile networks.

Revenue from annuities

The Group distributes and activates starter packs, earning a rebate (activation bonus) on each successful activation.

The Group earns ongoing annuity revenue for the life of each starter pack and has successfully introduced affinity programmes to decrease the churn on its starter pack base.

The Group earns annuity revenue from its subscription-based businesses and customer retention remains a key focus.

Launching additional product and service offerings to new and existing subscriber bases enhances annuity revenue.

Interest income

The Group's high volumes coupled with its favourable trading terms generate significant cash from operating activities.



Blue Label is a virtual railroad delivering prepaid goods and services

The theme of this year's integrated annual report is around emphasising the important role that distribution plays in the economy and how we leverage the last mile of the distribution channel. Whoever manages the last mile of the channel, actually owns the

whole distribution channel. Since the point of sale terminal is always located in the last mile, the person managing it decides what products and services may be sold from it.

Our business is about the distribution of secure electronic tokens of value and services, and can be compared to a virtual railroad.



If a product can be digitised, it can be distributed by us. We commenced building our virtual railroad with the proprietary AEON platform, as the enabler for transactions, which in this analogy are the tracks and locomotive. Each additional product is another carriage on the train. Incremental costs are

minimal, because the heavy lifting to establish the distribution network is already in place, resulting in profit margins filtering straight to the bottom line.

Business illustrated

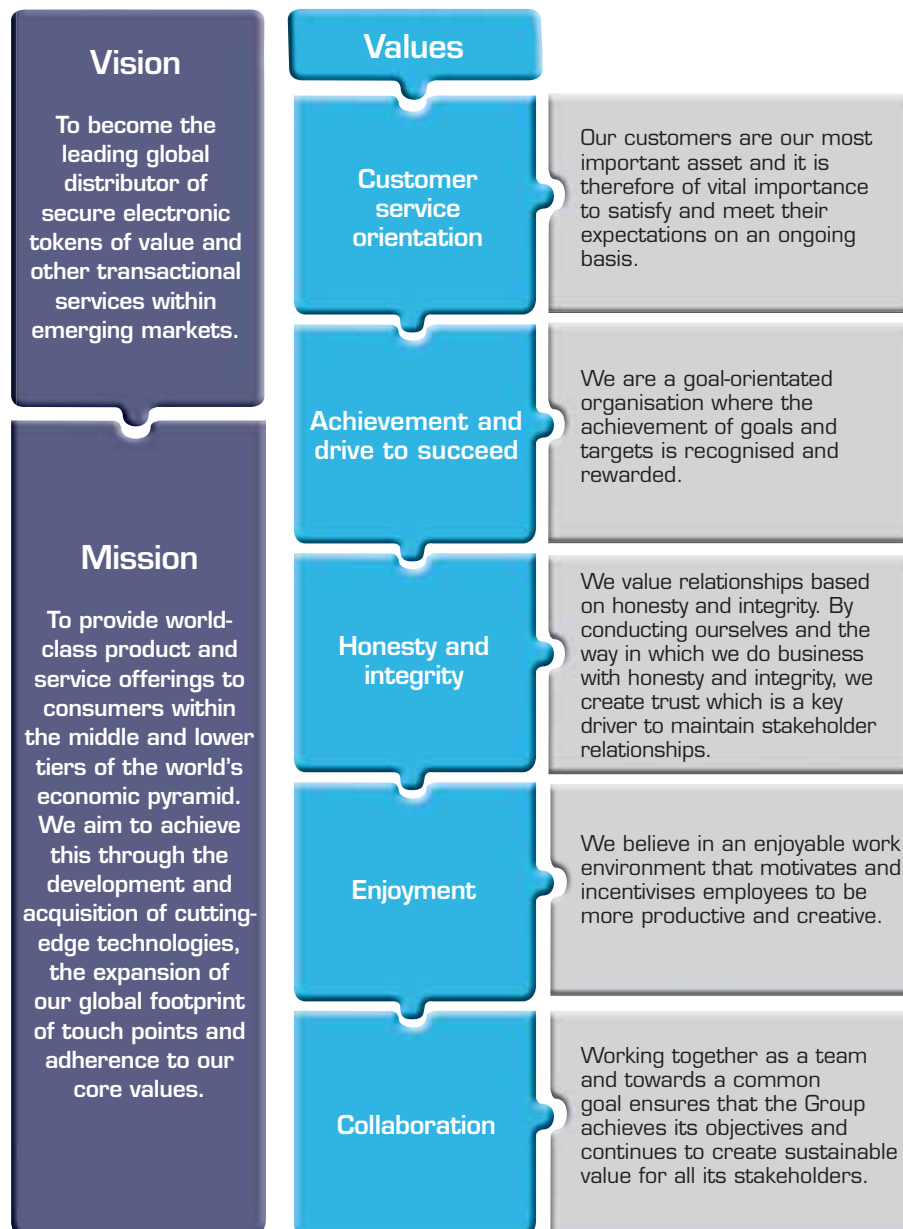




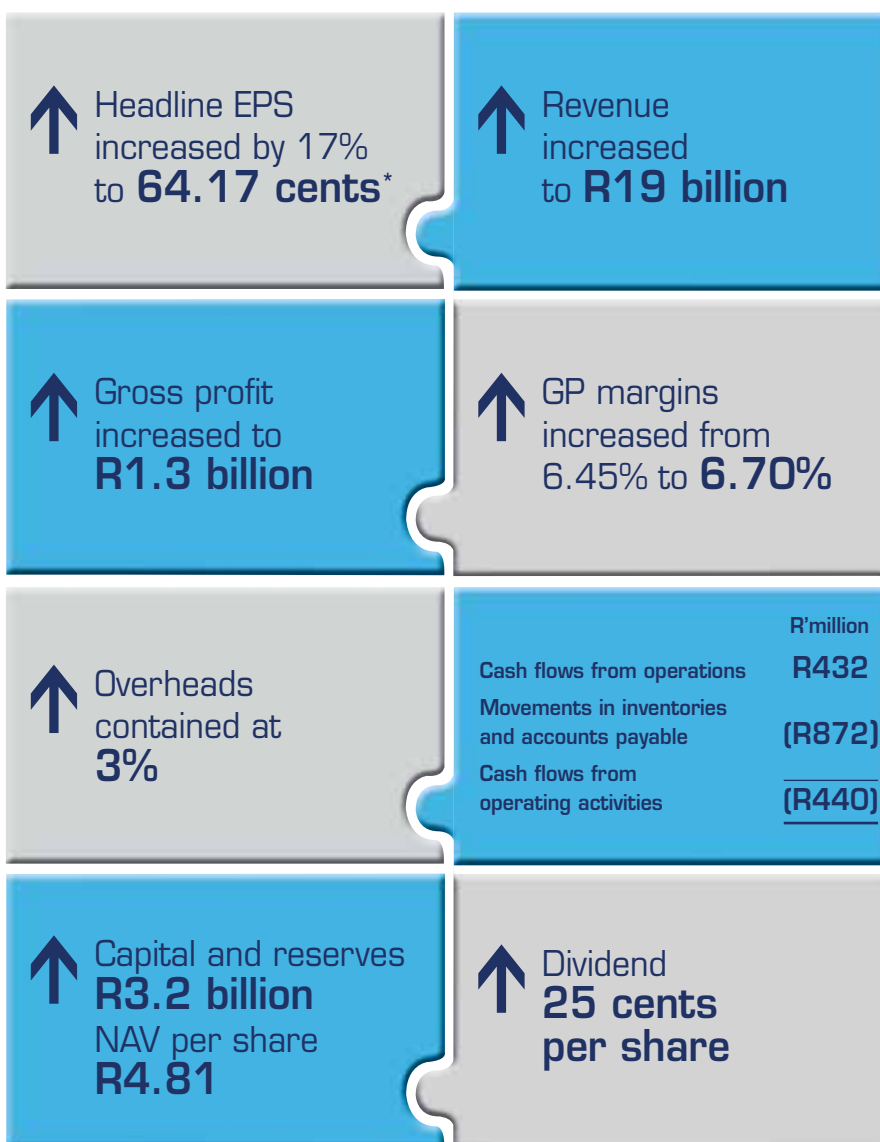
Business illustrated continued



Vision, mission and values



Highlights



*Excludes a once-off income receipt of R79.4 million in the comparative year.

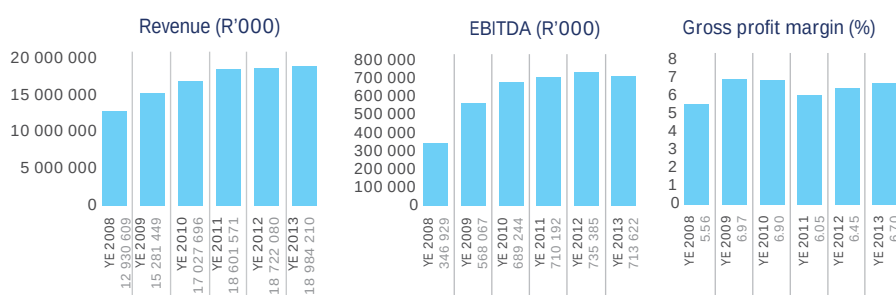
Financial history

	2013 R'000	2012*** R'000
All amounts include continued and discontinued operations		
Revenue	18 984 210	18 722 080
Gross profit	1 271 245	1 208 077
GP margin (%)	6.70	6.45
EBIT	645 671	643 828
EBITDA	713 622	735 385
Net profit for the year attributable to equity holders of the parent	424 841	438 104
Net cash flow from operating activities	(439 794)	528 109
Cash and cash equivalents	941 282	1 975 242
Capital expenditure	291 605	164 485
Ratios		
– EPS	cents per share 64.22	cents per share 61.87
– HEPS	64.17	64.65
– Core HEPS	66.13	64.37
– NAV per share	480.77	432.08
– Dividend per share	23.00*	14.00
– Dividend cover	2.95*	3.30
Weighted average number of shares (thousands)	661 578	708 060
Number of employees	1 112	1 216

* Gross ordinary dividend.

** Figures relate to the pro forma unaudited information.

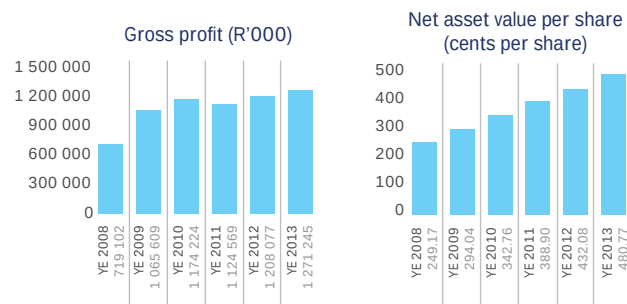
*** Includes a once-off income receipt of R79.4 million.





Financial history continued

	2011 R'000	2010 R'000	2009 R'000	2008 R'000
	18 601 571	17 027 696	15 281 449	12 930 609**
	1 124 569	1 174 224	1 065 609	719 102**
	6.05	6.90	6.97	5.56**
	517 060	569 459	474 847	273 254**
	710 192	689 244	568 067	346 929**
	431 448	365 022	390 547	269 423**
	427 663	515 910	666 994	(19 796)
	2 226 170	2 054 902	1 756 806	1 328 294
	186 196	195 817	103 496	70 136
	cents per share	cents per share	cents per share	cents per share
	57.04	48.17	51.13	35.16**
	46.20	48.27	51.63	34.86**
	60.34	52.34	55.93	48.40**
	388.90	342.76	294.04	249.17
	12.00	–	–	–
	4.02	–	–	–
	756 359	757 793	763 834	766 361
	1 357	1 620	1 979	1 616



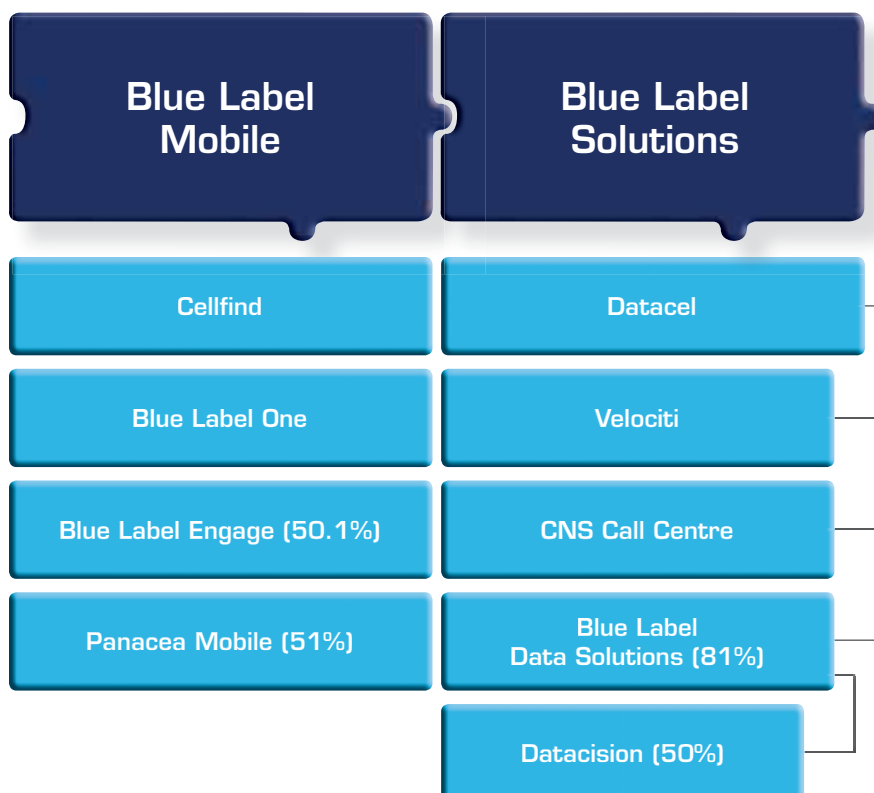
Operating structure as at 31 May 2013



100% unless otherwise stated.



Operating structure as at 31 May 2013 continued



Strategic objectives





Material impacts and risks

In determining the material risks of the Group, a formalised “top down” and “bottom up” risk management process is applied. The following key impacts and risks have been identified:

Risk	Context	Mitigating factors
General economic conditions, including certain political, social and environmental conditions in South Africa	The economic downturn is expected to persist for some time to come. This may affect consumer health, and in turn could have an adverse effect on revenue and profitability, in spite of the Group's historical resilience to adverse economic conditions.	It has been the Group's experience that the diversity of its mix of products and services and distribution channels has limited its exposure to economic downturns. Consumers appear to be unwilling to reduce spending on utilities, transport and airtime. In this regard the Group's products are bought rather than sold. Blue Label believes that economic sentiment is positive in the areas in which it operates. In the past it has taken courageous decisions to terminate product lines and business activities in areas where returns have not delivered appropriately when compared to other competing opportunities. The Group continues to consider expanding its operations beyond South Africa, the UK, India and Mexico with particular focus on other emerging markets, which are typified as large and fast growing with low penetration.
Margin compression	Network operators determine the margins to the prepaid airtime distribution channel. Blue Label may not always be able to pass on to the retailer or customer any margin compression enforced by the network operators.	Management is confident that based on historical trends, the Group will be able to continue to pass on any margin compression to the distribution channel. Any margin compression is also likely to force inefficient distributors out of the distribution chain, a trend welcomed by management. In addition, the Group is constantly looking to add new product and service offerings comparable at higher margins than its traditional business, through the leverage of its significant distribution footprint and merchant relationships.
Further declines in interest rates	As the Group is highly liquid, declines in interest rates have an effect on finance income.	Wherever possible, free cash flow is utilised for early settlements or bulk buying in order to obtain discounts in excess of interest rates.
Further increases in rand/foreign exchange rates	Changes to the rand exchange rate affect the results reported from, and any refinancing required by, associate and joint venture companies in the UK, India and Mexico.	Associate and joint-venture companies in the UK and India are not expected to require any further financing. Every effort will be made to secure the best available foreign exchange rate in any further financing required in Mexico.

Material impacts and risks continued

Risk	Context	Mitigating factors
Non-compliance with legislation	Non-compliance with legislation applicable to the Group could lead to fines and negative reputational impact, i.e. POPI, CPA, WASPA legislation, Companies Act, Income Tax Act, Value Added Tax Act, JSE Listings Requirements, OHSA, BEE Act, Employment Equity Act, industry charters and scorecards.	All legislation that affects the Group has been identified, analysed and categorised according to its impact and relevance. The process is ongoing to test and ensure ongoing compliance on an operational level.
Ability to attract and retain skilled resources	The Group's future performance will depend largely on the efforts and abilities of its key personnel and employees. The existing executive management at Blue Label pioneered the mass prepaid market and established the Group's business model. Blue Label's future success will depend, in part, upon its ability to continue to attract, retain, motivate and reward personnel, including executive officers and certain other key and specialised employees.	The Joint Chief Executive Officers and co-founders, are both substantial shareholders and are passionate about and dedicated to the sustainability and growth of the Group. Key members of the management team are bound by service and restraint agreements and in many instances are shareholders of Blue Label. Executive management has implemented talent management and succession planning in key areas of the Group. Appropriate skills transfer activities are ongoing through on the job and other training programmes. The Remuneration and Nomination Committee has approved remuneration policies which include long-term retention benefits and incentives. In addition, key components of the Group's remuneration policy have been adjusted to focus on retention.
Increasing exposure to issues such as data security, breaches in technology security or privacy	As the bulk of the Group's inventory is of a virtual nature, defence against cybercrime is a top priority as susceptibility to hacking and the penetration of firewalls are always matters of extreme concern.	The Group is significantly dependent on the systems and platforms that it utilises to deliver its products and services, as well as to manage its merchant base. Over the past few years, Group technology spend has been increasing in recognition of this key imperative, in order to support not only significant growth in the business (and the concomitant rise in the number and type of transactions processed), but also to improve system availability and robustness. This invariably includes a major focus on the security of all systems, both production and enterprise, in order to suitably detect and manage security threats, as well as the ability to recover from damage that may be caused as a result of security-related incidents.



Material impacts and risks continued

Risk	Context	Mitigating factors
Elimination of the middle man	In most industries a wholesaler is at risk of being eliminated from the supply chain if the supplier has the infrastructure and capabilities to supply the customer directly.	From inception, the objective of the Blue Label Group was to become a one-stop destination for the supply and distribution of all of the networks' offerings. This would provide both convenience and efficiency to the retailer and customer. Furthermore the technology and footprint developed by the Group allows retailers to earn additional revenue by the introduction of additional products. This would make it difficult to disintermediate the Group. No single network can offer this complete solution. The introduction of the sale of prepaid electricity, and its phenomenal uptake in South Africa, strengthens Blue Label's foothold as a one-stop destination that is most convenient to the retailer. Blue Label's increasing bouquet of products and its aggregation thereof will continue to ensure that its middle man status as distributor is essential to the retailer. The Group will continually develop and upgrade new, innovative products to strengthen the foundation of the middle man. Many merchants have access to limited cash flow, and by utilising Blue Label's vending solution, this allows them to vend products and services which they previously could not afford to, due to various complexities, i.e. managing stock levels, obsolescence, pilferage at store level, inability to order small quantities, access to limited stock ranges, to name a few. Also, the addition of such products and services, and a growing suite of products, necessitates that Blue Label not only excels in the sourcing, management and delivery of these products, and the management of its merchant base, but also that it delivers an excellent supporting back-office capability – including the ability to deliver and manage reconciliation and settlement on behalf of its customers, extensive and professional merchant support services, and deep technology support for online and integrated systems. These competencies make it even more difficult for Blue Label to be disintermediated, because of the significant value that it provides to merchants, not only in the products and services it delivers, but also in respect of the increasingly complex back-office support functionality required to deliver such services. Blue Label is not seen as a competitor. It is rather seen as an aggregator and an enabler to both its customers and suppliers.

Material impacts and risks continued

Risk	Context	Mitigating factors
Disaster recovery and continuity of business	The Group has developed proprietary technology supporting the roll-out of its bouquet of products and services. The Group's infrastructure connects into some of South Africa's major banks, Eskom, utility companies and telecommunication operators and switches, both debit and credit card, electronic funds transfer transactions and e-token products for some of the country's leading retailers and petroleum companies. The effective and continuous operation of this infrastructure is critical to the company's service delivery.	Management recognises the importance assigned to IT in its corporate governance systems. The Technology team has been strengthened. The Group has a formal Business Continuity and Disaster Recovery Plan which provides guidance for emergency and crisis management, business unit recovery and technology disaster recovery. The latter includes the restoration of information technology facilities. The plan describes the IT framework and procedures to be activated in the event of a disaster. The major goals of the plan are to: ⊙ minimise interruptions to the normal operations; ⊙ limit the extent of disruption and damage; ⊙ minimise the economic impact of the interruption; ⊙ establish alternative means of operation in advance; ⊙ train personnel on emergency procedures; and ⊙ provide for rapid restoration of service and, where possible/required, to ensure high availability/continuity of critical business operations.



Business ethics

Ethical leadership and business conduct

Good corporate governance is essentially about effective and responsible leadership. This is characterised by the ethical values of responsibility, accountability, fairness and transparency. The typical aspects of corporate governance, such as the role and responsibilities of the board and directors individually, internal audit, risk management and stakeholder engagement rest on a foundation of ethical values.

To this extent, Blue Label's ethical standards are encapsulated in its ethics statement, which provides a template for ethical reasoning as a guide to all employees in their dealings with both internal and external stakeholders. The ethics statement is applicable to employees across the Group, as well as to customers, business partners, suppliers and other stakeholders. Each is requested to uphold the ethical reasoning of the statement, thereby enabling us to live our values.

The purpose of the ethics statement is to:

- ⊙ emphasise the Group's commitment to ethics and compliance with laws and regulations,
- ⊙ set out basic standards of ethical and legal behaviour,
- ⊙ provide reporting mechanisms for known or suspected ethical or legal violations, and
- ⊙ help prevent and detect wrongdoing.

From an ethical perspective Blue Label reiterates its stance on the following matters:

- ⊙ fraudulent, corrupt or illegal practices are not tolerated. Bribes or any other illicit payments including facilitations will neither be paid nor received;
- ⊙ the Group does not participate in any illegal anti-competitive activity. Employees cannot authorise or participate in any illegal conduct or action that purports to restrict competition; and

- ⊙ the Group is non-political. It does not allow its assets and services to be used in any way which favours any particular political grouping.

Employees are expected to demonstrate ethical business practices. All new staff members undergo an induction programme that includes training on the above "code of business conduct", including the function of the ethics hotline, such as what should be reported and how to report unethical behaviour via this channel. The ethics hotline is outsourced to KPMG Ethics Line, a division of KPMG, and has been certified by EthicsSA as fulfilling the External Whistle-blowing Hotline Service Provider Standard EO1.1.1. This standard is a best practice set of guidelines or norms for the professional and ethical conduct of external whistle-blowing hotline service providers operating their own centres or facilities.

All incidents reported during the year under review were human resource-related matters and were resolved by the Group Human Resources Manager.



Board of directors





Board of directors continued

1. Laurence (Larry) Nestadt

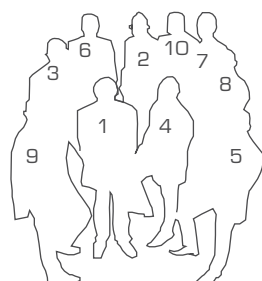
Independent Non-Executive Chairman

Born: 1950

Larry has over 40 years' experience in his long and successful corporate career, both in South Africa and internationally. Larry is a co-founder and former executive director of Investec Bank Limited. He assisted in the creation and strategic development of a number of listed companies such as Capital Alliance Holdings Limited, Super Group Limited, Hosken Consolidated Investments Limited, SIB Holdings Limited and Global Capital Limited. He is the past chairman on each of the boards of these companies.

Larry has also served on the board of directors of Softline Limited, JCI Limited and Abacus Technologies Holdings Limited. He was a former director of a number of non-listed companies, internationally and locally, viz, Stenham Limited (UK) and Prefsure Life Limited (Aus). Currently, Larry holds various directorships and is executive chairman of Global Capital Proprietary Limited, and chairman of Melrose Motor Investments, Moregolf Proprietary Limited, SellDirect Marketing Proprietary Limited and National Airways Corporation Proprietary Limited.

Larry is a respected senior member of the South African business community and his strategic vision, guidance and experience contribute significantly to the Board and its deliberations.



2. Brett Levy

Joint Chief Executive Officer

Born: 1975

Brett has an impressive entrepreneurial history having founded and operated many small businesses in the early 1990s. He has been involved across a wide range of industries, including the distribution of fast-moving consumer goods and insurance replacements for electronic goods. Brett's business achievements have secured a number of prestigious nominations and awards, including the ABSA Bank Jewish Entrepreneur of the Year Award (2003) and the ABSA Jewish Business Achiever Non-Listed Company Award (2007), which he won jointly with his brother Mark. Brett was nominated as an Ernst & Young World Entrepreneur SA Finalist for 2007. In 2010 he received the Liberty Life Award for a Remarkable Success Story in the David Awards and was a finalist in the Top Young Entrepreneur category of the African Access National Business Awards. In 2011 he shared with Mark the Top Entrepreneur accolade in the African Access National Business Awards.

Brett is a director of various companies, including some local and global Group companies.

Board committee membership:

Executive Committee: Member

Investment Committee: Member

Social, Ethics and Transformation

Committee: Member

Audit, Risk and Compliance

Committee: Attendee

Remuneration and Nomination

Committee: Attendee

Board of directors continued

3. Mark Levy

Joint Chief Executive Officer

BCompt (Unisa)

Born: 1971

Mark graduated with a BCompt degree from UNISA in 1993. After some years as a commodities trader, he decided to pursue a goal of becoming an entrepreneur, which skill and strength he has applied over the past several years in spearheading Blue Label's impressive organic and acquisitive growth and international expansion. Together with his brother Brett, Mark won the ABSA Jewish Business Achiever Non-Listed Company Award (2007). He was nominated as an Ernst & Young World Entrepreneur SA Finalist for 2007. In 2010 Mark was voted Top IT Personality of the year by ITWeb and was a finalist in the Top Young Entrepreneur category of the African Access National Business Awards. In 2011 he shared with Brett the Top Entrepreneur accolade in the African Access National Business Awards.

Mark is a director of various companies, including some local and global Group companies.

Board committee membership:

Executive Committee: Member

Investment Committee: Member

Audit, Risk and Compliance Committee: Attendee

Remuneration and Nomination

Committee: Attendee

4. Mark Pamensky

Chief Operating Officer

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

Born: 1972

Mark completed his articles at PricewaterhouseCoopers Inc. before moving to Mercantile Bank, where he worked in the corporate finance department. In 1999 he joined the boutique advisory firm, Nucleus Corporate Finance, before joining Blue Label in 2001. Mark has played an integral role in the Group's strategic and operational management and much of its expanding telecommunications footprint can be attributed to his vision and leadership. Mark is a member of the South African Institute of Chartered Accountants (SAICA) and the Young Presidents Organisation.

Mark is a director of various companies, including some local and global Group companies.

Board committee membership:

Executive Committee: Member

Investment Committee: Member



Board of directors continued

5. David Rivkind

Financial Director
BAcc (Unisa), CA(SA)
Born: 1972

David completed his articles at Papilsky Hurwitz and in 1999 joined Merrill Lynch International (UK) as financial controller. He later moved to Credit Suisse before returning to South Africa in 2002 to take up the role of financial director at Integr8IT Proprietary Limited. David joined the Group in 2004 as Chief Financial Officer before becoming Financial Director for Blue Label. He contributes significantly to the governance and reporting systems across the Group in support of its growth. David is a member of SAICA.

Board committee membership:

Executive Committee: Member
Investment Committee: Member
Social, Ethics and Transformation Committee: Alternate member to B Levy
Audit, Risk and Compliance Committee: Attendee
Remuneration and Nomination Committee: Attendee

6. Kevin Ellerine

Non-Executive Director
National Diploma in Company Administration
Born: 1968

Kevin joined the family business, Ellerine Holdings, in January 1991. After serving in various roles, in 1993 he was appointed as property manager of Ellerine Bros. Proprietary Limited, rising to managing director of the property division in 2000, a position he still holds today. He sits on the boards of the property and private equity companies in which Ellerines is invested. Kevin's all-round business skill and acumen contribute to Board and Committee deliberations of the Group.

Kevin is a director of various other companies, including some Group subsidiaries.

Board committee membership:

Social, Ethics and Transformation Committee: Member
Remuneration and Nomination Committee: Member

Board of directors continued

7. Gary Harlow

Independent Non-Executive Director
BBusSci (Hons) (UCT), FCMA, CGMA,
CA(SA)
Born: 1957

Gary graduated from the University of Cape Town in 1979, qualifying as a Chartered Accountant (SA) in 1982, an associate of the Chartered Institute of Management Accountants (UK) in 1983 and as a fellow chartered management accountant (UK) in 1996. His career was forged in merchant banking. In the early 1990s he was an adviser to the African National Congress and in 1992 was instrumental in the creation of Thebe Investment Corporation. Gary served as joint chief executive officer of Msele Corporate and Merchant Bank, South Africa's first black-controlled merchant bank.

In 1996 Gary was appointed group chief executive officer of Unihold Limited, where he remains executive chairman. He led its transition from an engineering conglomerate to an international IT and telecommunications group, followed by a delisting through a management buyout. Gary continues to serve on numerous private and public company boards and is currently an independent non-executive director of Mvelaserve Limited and chairman of its audit, risk and compliance committee. He is also chairman and/or director of various Group subsidiaries.

Board committee membership:

Investment Committee: Chairman

Social, Ethics and Transformation

Committee: Member

Audit, Risk and Compliance Committee:

Member

Remuneration and Nomination

Committee: Member

8. Neil Lazarus SC

Non-Executive Director
BA LLB (Wits)
Born: 1958

Neil graduated from the University of the Witwatersrand in 1981 with a BA LLB degree. After completing articles, he was admitted as an attorney in 1983. He was admitted as an advocate in 1984 and practised at the Johannesburg bar. He was appointed as Senior Counsel by former President Mandela in 1998. He also served as an acting judge. As an advocate, Neil specialised in corporate restructures, mergers and acquisitions and was involved in some major corporate reorganisations both locally and internationally. Upon leaving the profession in 2000 he became a director of Corpcapital Limited, establishing its corporate finance business. Neil currently discharges both corporate finance and legal mandates for a number of local and international companies but spends most of his time on advisory work for Blue Label. Neil serves as a non-executive director on the boards of other public companies.

Board committee membership:

Investment Committee: Member

Social, Ethics and Transformation

Committee: Member

Audit, Risk and Compliance Committee:

Member

Remuneration and Nomination Committee:

Chairman



Board of directors continued

9. Joe Mthimunye

Independent Non-Executive Director
BCompt Hons/CTA (UNISA), CA(SA)
Born: 1965

Joe qualified as a chartered accountant in 1993. In 1996, he co-founded Gobodo Incorporated, an accounting practice with eight other partners which in time became the biggest black accounting firm in South Africa. In 1999, he led a management buyout of Gobodo Corporate Finance from the accounting firm and re-branded it AloeCap Proprietary Limited, of which he is currently executive chairman. He also serves on the board of directors of various non-listed companies in which AloeCap Private Equity is invested.

Board committee membership:

Investment Committee: Member

Audit, Risk and Compliance Committee:
Chairman

10. Jerry Vilakazi

Independent Non-Executive Director
BA (Unisa), MA (Thames Valley), MA (London) and MBA (California Coast University)
Born: 1961

Jerry is executive chairman of the Palama group of companies which he co-founded. He is also the chairman of Netcare Limited, State Information Technology Agency (SITA), Mpumalanga Economic Growth Agency, Mpumalanga Gambling Board and Trubok Proprietary Limited. He also holds directorships at Goliath Gold Limited, Sibanye Gold Limited, Saatchi & Saatchi and Kazzi Corporate Wear. Jerry recently served as non-executive director of PPC Limited and currently serves as a member of the National Planning Commission and the Presidential B-BBEE Advisory Council. He is an adviser to Citi Bank.

Board committee membership:

Social, Ethics and Transformation

Committee: Chairman

Audit, Risk and Compliance Committee:
Member





Senior management continued

1. Niel Barnard

Chief Executive Officer – Blue Label Mobile
BSc (Information Technology), MSc
(Programme Management), MCSE

2. Michael Campbell

Group Head of Investor and Media Relations
BProc, FCIS, AIAC, EMP (UCT)

3. Etienne de Villiers

General Counsel
BA LLB (Natal)

4. Rob Fleming

Chief Marketing Officer
BCom (Rhodes)

5. David Fraser

Group Chief Technology Officer
BSc (Eng), MSc (Eng), PhD (Natal), CEng
(UK), MIET (UK), MIEEE (USA), MSAIEE (SA),
MSPE

6. Tanya Grotta

Chief Technical Adviser – Group Finance
BCom Hons (Wits), CA(SA)

7. John Hawthorne

Chief Executive Officer – Velociti
BA Communication, BA Liberal Arts
(Virginia Polytechnic Institute and State
University)

8. Ingrid Hindley

Group Head of Human Resources
BSocSci Honours (Industrial Psychology)
(Natal)

9. Larry Pogir

Executive Chairman – Blue Label Data
Solutions
BCom (UNISA)

10. Angelo Roussos

Group Chief Information Officer
BSc (Lab. Med.), MBBCh (Wits)

11. Janine van Eden

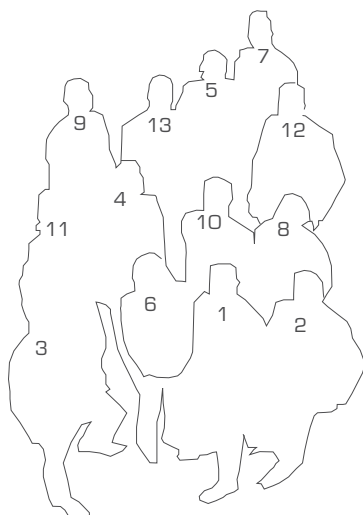
Group Company Secretary
BProc. LLB (RAU)

12. Werner van Reenen

Chief Executive Officer – Blue Label
Distribution
BCom (UNISA) Hons (Marketing)

13. Dean Suntup

Financial Director – The Prepaid Company
Prescribed Officer – Blue Label
BCom (Wits) Hons (UNISA), CA(SA)
Dean completed his articles with PwC
where he assisted in the audits of various
large corporations and multi-nationals. After
qualifying as a chartered accountant he
remained on as an assistant manager at
PwC for a number of months until he joined
BSC Technologies Proprietary Limited, a
business that was established by the Levy
brothers. He assumed the position of
financial director of BSC Technologies
Proprietary Limited from August 2003
to March 2005 until he was transferred to
TPC where he assumed the position of
Financial Director.



Chairman's report



Larry Nestadt,
Chairman

Dear stakeholders

"BLUE LABEL CONTINUES TO DELIVER ON ITS STRATEGIC OBJECTIVE OF DISTRIBUTING ELECTRONIC TOKENS OF VALUE IN EMERGING MARKETS. THE DISTRIBUTION OF PHYSICAL AND VIRTUAL TOKENS IS ACHIEVED THROUGH THE ROLLOUT OF POINT-OF-SALE DEVICES AND IS SUPPORTED BY SOPHISTICATED BACK-END TECHNOLOGY."

I am pleased to report that Blue Label has continued to deliver compounded growth to shareholders for the year ended 31 May 2013, endorsing its investment proposition of year-on-year growth in earnings and the distribution of dividends.

Overarching our business is the strategy of entering into partnership arrangements which add value to our business activities. Long-term contracts with the major mobile network operators underpin the airtime business in South Africa.

Alliances with commercial banks and the merchant acquirer, MasterCard, extend financial inclusion to many under-served communities. Expansion into rural India through Oxigen's relationship with the State Bank of India typifies the benefits of such alliances.

The aggressive rollout of points of presence in Mexico is championed by Grupo Bimbo, our joint-venture partner in Blue Label Mexico, which has a vast distribution network in that territory.



Chairman's report continued

Blue Label continues to differentiate itself in the market, with:

- ⊙ financial strength and stability through strong cash flows;
- ⊙ cutting-edge technical capability and back-up support;
- ⊙ leading innovation in technology, products and services;
- ⊙ market leadership in touch points focused on reaching middle and lower income areas;
- ⊙ a unique ability to collect small amounts of money from consumers efficiently; and
- ⊙ the capability of performing multiple transactions from the same terminal.

Blue Label is mindful of operating risks, while, at the same time, keeps a keen eye on business opportunities. Blue Label appreciates the need for a disciplined approach in relation to capital expenditure and measured and scaled approaches to expansion in South Africa, India and Mexico.

The Board is committed to delivering long-term value through sustainable business practices. This encompasses the achievement of profitability across the Group and, at the same time, making investments in the expansion of distribution footprint, systems, products and services in order to secure and maintain future profitability.

During the year the Group capitalised on its positive accumulated cash resources by utilising funds to take advantage of bulk inventory purchases at favourable discount rates, to acquire a post paid contract base and prepaid starter pack bases, and to provide additional funding for Blue Label Mexico's expansion.

The comparative results included a once-off income receipt of R79.4 million. On exclusion of this income, the current year's headline earnings per share increased by 17% to

64.17 cents. This growth was achieved through an increase in gross profit margins from 6.45% to 6.70% on revenue of R19 billion, overhead escalation confined to 3% and the impact of the reduction in issued shares following the share repurchase in December 2011.

On 18 August 2013, the Board approved ordinary dividend number 4 of 25 cents per share (gross of dividend withholding tax), equating to a dividend cover of 2.52 on headline earnings.

The Board is responsible for the Group's corporate governance and in this duty is supported by the Company Secretary, whose main focus is in the areas of compliance, advisory, support, communications and advocacy. During the year, the Company Secretary, Elizna Viljoen, resigned and I thank her for six years of dedicated service. I welcome her replacement, Janine van Eden, who joined Blue Label in this role on 1 June 2013.

The Social, Ethics and Transformation Committee, under the chairmanship of Jerry Vilakazi, has been strengthened. While an important deliverable is monitoring and overseeing the Group's reputational performance and transformation efforts, the Committee is also responsible for updating the Board on appropriate changes in legislation and makes recommendations in order to ensure compliance.

The Group continues to reach out and uplift communities in which it operates. Over the year a total of R4.2 million was disbursed, mainly in support of youth programmes, Aids and health awareness and sport development.

In February 2013, Blue Label launched its American Depositary Receipt (ADR) programme, with the ticker symbol BULBY and the Bank of New York Mellon as sponsor.

Chairman's report continued

Looking ahead, the Group will continue to focus on diversifying the range of products and services it offers, as well as expanding its distribution footprint, both organically and acquisitively. In this regard the Group is expecting to benefit in particular from its customer affinity programmes, the new ticketing engine for events, innovative financial services products, the recently acquired starter pack bases, SMS aggregation and distribution together with its prepaid electricity offering.

I thank the Board of Directors, joint founders of Blue Label and CEOs Brett Levy and Mark Levy, the management team and employees for their contribution to the Group's performance.

In conclusion, I extend our appreciation to shareholders, business partners, suppliers, customers and other stakeholders for their ongoing support.



Larry Nestadt
Chairman



Conversation with Joint Chief Executive Officers



Mark Levy and Brett Levy,
Joint Chief Executive Officers

Blue Label is more than a telecoms company

When we established Blue Label in 2001, we considered ourselves as virtual distributors – rolling out a myriad of different touch points, enabling the distribution of secure electronic tokens of value and the delivery of numerous financial services through that platform.

We are a one-of-a-kind South African company, now distributing prepaid airtime and electricity with a growing number of financial services on offer, e.g. merchant acquiring, money transfers and remittances, transport and event ticketing, loyalty and reward programmes, while gaining a footprint in India, Mexico and the UK.

We are able to take first-world products and services to third-world consumers and facilitate transactions in a manner that is convenient and suitable to them – be it cash, EFT or debit and credit card. It is these capabilities which differentiate us as a lifestyle enabler to consumers.

The prepaid business model

The word prepaid is often perceived as a poor man's mechanism for the purchase of goods

and services. The convenience and budgetary control of this method of transacting has extended to all classes of the economic pyramid.

We continue to observe that prepaid is a convenient method of payment for consumers. They are now able to purchase Blue Label's products anywhere and anytime. Prepaid provides for forced discipline in budgeting, ensuring no surprises at month-end, as is so often the case in the post paid world.

The term prepaid has evolved into words such as 'pay-as-you-go' or 'capped' – the latter particularly favoured in Australia and the USA – mainly to detract from the stigma created by the word prepaid. Another development is 'hybrid', which is post paid with a specified monthly limit, and when exhausted, is immediately sequenced by a prepaid top-up for the same goods or services.

The key to distributing products and services in emerging markets is to ensure that they are available as a prepaid offering, not necessarily as a replacement, but as an alternative to post paid. This empowers a whole new group of consumers and our distribution to them is the cornerstone of our business.

Conversation with Joint Chief Executive Officers continued

Blue Label is a virtual railroad delivering prepaid goods and services

The theme of this year's integrated annual report is around emphasising the important role that distribution plays in the economy and how we leverage the 'last mile' of the distribution channel. Whoever manages the 'last mile' of the channel, actually owns the whole distribution channel. Since the point of sale terminal is always located in the 'last mile', the person managing it decides what products and services may be sold from it.

Our business is about the distribution of secure electronic tokens of value and services, and can be compared to a virtual railroad. If a product can be digitised, it can be distributed by us. We commenced building our virtual railroad with the proprietary AEON platform, as the enabler for transactions, which in this analogy, are the tracks and locomotive. Each additional product is another carriage on the train. Incremental costs are minimal, because the heavy lifting to establish the distribution network is already in place, resulting in profit margins filtering straight to the bottom line.

Growth in operating performance – South Africa

The South African business remains the predominant contributor to the Group's revenue and profitability, with prepaid airtime at the core.

Today, net profit is derived from three main pillars: the sales of commodities (such as prepaid airtime and electricity), income from annuity transactions (from our SIM card base, contractual Vodacom starter packs, and location-based value adding services and subscriptions) and interest earned on surplus cash. When we listed six years ago, interest earned contributed significantly to profitability. The hybrid of a piecemeal decline in interest rates and additional product offerings has reduced the interest component of profitability to 4%.

Over the years we have aggressively innovated and adapted our business model to prevailing

circumstances. Examples are the introduction and rapid uptake of prepaid electricity, which now accounts for 9% of Group gross profit. Our cash resources have enabled us to capitalise on bulk purchasing opportunities, yielding discounts in excess of interest rates.

Approximately 84% of our revenue is generated from the informal sector, made up of independent stores, wholesalers, spaza shops, and mom & pop stores. We serve over 100 000 of these types of stores through focused distribution, whilst further customers are reached via a fleet of trucks and accompanying foot soldiers. The remaining 16% is derived from the formal sector, principally the large multi-channel retail chains.

International distribution

Our operations in Mexico and India are both rolling out high-specification devices to meet financial services requirements in each market, particularly for commercial banks and merchant acquirers.

In Mexico our co-shareholder Grupo Bimbo, one of the world's largest bakeries, will enable Blue Label Mexico to reach its roll-out target of 123 000 POPs by mid-2014 calendar year, through the utilisation of their distribution capabilities to their vast customer base. We expect that further capex will be required to support this extensive roll-out.

As the telecoms recharge business in India is characterised by wafer-thin airtime margins, the shift in focus is towards becoming a versatile payment solutions provider, underpinned by arrangements with the State Bank of India, ICICI Bank, Yes Bank, Union Bank and the National Payments Corporation of India, amongst others.

Revenue, gross profit and cash

We should not see our increase in revenue as a proxy for the Group's growth. We believe growth should also be measured by gross profit achieved, as there is an increasing trend for us to act as an agent on sales of certain products. This means that only the gross profit



Conversation with Joint Chief Executive Officers continued

or commission earned, and not the face value of the sale, is included in the revenue line.

The distribution of "PINless top-ups", as an alternative mechanism for the vending of prepaid airtime, continues to escalate. This shift in consumer buying patterns impacts on our treatment of the revenue generated thereon, as only the gross profit earned on such sales is included in revenue (and not the product's face value). The same approach applies to how we account for electricity sales, where we act as the agent on behalf of the utilities and not as principal. Only the commissions earned and not the face value of these sales is included in revenue. If the gross sales in PINless airtime was imputed into revenue, the increase in revenue would have equated to 6% for the year.

Gross profit increased by 5% to R1.3 billion supported by gross profit margins increasing from 6.45% to 6.70%.

The balance sheet remains robust with reserves accumulating to R3.2 billion.

Strategic acquisition and alliance campaigns continue

In delivering on our stated M&A strategy, the Group acquired Panacea Mobile in two tranches, the first for 51% of the company during the course of the financial year with the balance of 49% shortly thereafter. A majority stake was purchased in Blue Label Engage. Recently we purchased TicketPros, a ticketing engine, which heralds our entry into event and transport ticketing. When combined with NFC, loyalty and reward cards, ticketing makes a powerful tool in the hands of supporters and commuters alike, whilst enhancing marketing channels for sponsors and brand owners. We continued purchasing prepaid airtime bases and also acquired a postpaid base. These bases are highly lucrative as a portion of their annuity revenue tends to remain in perpetuity.

Cellfind entered into a strategic alliance with TeleCommunication Systems with a view to extending LBS services and expansion into new markets in sub-Saharan Africa.

Entrepreneurial vs corporate culture

We continually strive to retain and instil our entrepreneurial culture across the organisation based on the following ethos:

- ⦿ our story is well documented and so we like to share the journey of building up the business thus far;
- ⦿ we lead from the front and recognise that we are symbols of the Blue Label culture. Our joint CEO roles make it easier for us to retain visibility throughout the organisation; and
- ⦿ the Blue Label values (see page 8) were each selected and ranked by our staff. We celebrate achievements across the Group by embodying our values in a charter that ensures longevity in our working culture.

Mark Levy

Joint Chief Executive Officers

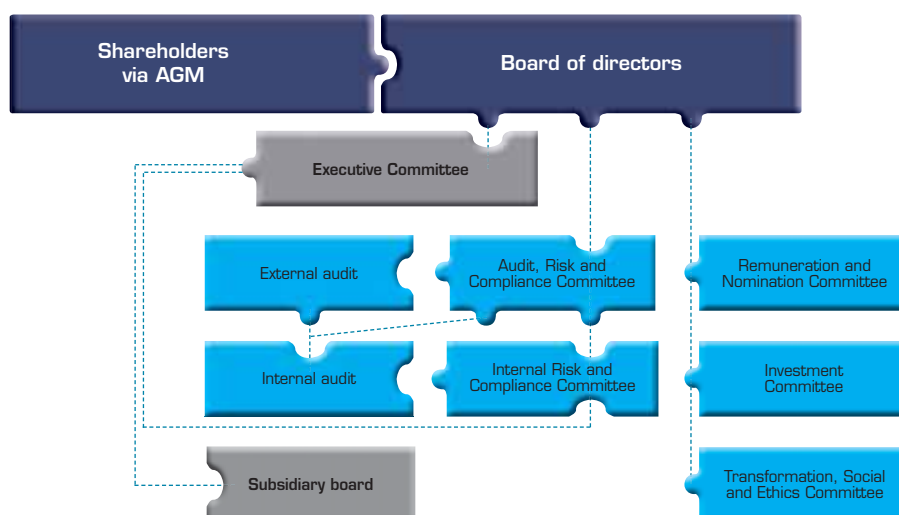
Brett Levy

Governance framework

The Board regards governance as fundamentally essential to the success of the Company's business and is committed to applying the principles of good governance in directing and managing the Company to achieve its strategic objectives. The Board is the focal point for, and custodian of, the

Company's governance framework through its committee structures, relationship with management, shareholders and other stakeholders of the Company. The Board remains ultimately accountable for the performance and affairs of the Company.

Governance framework



The governance framework facilitates a balance between the Board's role of providing direction and oversight with accountability to support acceptable risk parameters, consistent compliance with regulations, standards and codes relevant to the Group while encouraging entrepreneurial and innovative spirit which remain key drivers of Group performance. Governance processes in the operating subsidiaries are aligned with the

governance framework established by Blue Label. Each subsidiary company has its own board of directors and their strategy, business plan and performance criteria are clearly defined. The strategy and business plan of each subsidiary are presented to the Blue Label Board by the subsidiary's management on an annual basis. Subsidiary boards comprise executive and non-executive directors, some of whom are executive and non-executive directors of Blue Label.



Governance framework continued

Application of King III

Blue Label is committed to the governance principles of King III and continues to develop its governance policies, practices and procedures in line with an integrated governance, risk and compliance framework. It is the responsibility of the Board to ensure the application of the principles contained in King III. The JSE Listings Requirements further stipulate compulsory adherence to certain specific requirements of King III. A summarised table of Blue Label's application of King III is available on the Company's website at www.bluelabeltelecoms.co.za.

Role of the Board

The Board conducts its business in accordance with the principles of King III, which includes exercising discipline, independence, responsibility, fairness, social responsibility, transparency and the accountability of directors to all stakeholders. The Board remains ultimately accountable for the performance of the Company and oversees processes which ensure that each business segment is responsible for acting in accordance with sound governance principles. The Board has a charter which sets out its role and responsibilities. Key responsibilities are summarised as follows:

- ⊙ Provide effective leadership based on an ethical foundation.
- ⊙ Ensure that the Company has an effective and independent audit, risk and compliance committee.
- ⊙ Contribute towards and approve the strategic direction of the Company.
- ⊙ Satisfy itself that the strategy and business plans proposed for the achievement of the Group's objectives do not give rise to risks that have not been thoroughly assessed by management.
- ⊙ Ensure that the strategy will result in sustainable outcomes taking into account financial, environmental and social objectives as approved by the Board.

- ⊙ Ensure the integrity of the Company's integrated annual report.
- ⊙ Define levels of authority, define areas of materiality and approve a framework for delegated authority.
- ⊙ Report on the effectiveness of the systems of internal controls.
- ⊙ Be responsible for the governance of risk through effective risk management practices, including regularly reviewing and evaluating risks to the Company and ensuring the existence of an effective risk-based internal audit as well as appropriate internal controls.
- ⊙ Be responsible for IT governance, including but not limited to monitoring and evaluating significant IT investments and expenditure as well as management of information assets.
- ⊙ Ensure that Blue Label is and is seen to be a responsible corporate citizen.
- ⊙ Identify, manage and monitor the gap between stakeholder perceptions and the performance of the Company so as to manage Blue Label's reputation.

The Board acts in the best interests of the Company by ensuring that individual directors:

- ⊙ adhere to the legal standards of conduct set out in the Act;
- ⊙ are permitted to take independent professional advice in connection with discharging their duties following an agreed procedure;
- ⊙ disclose real and perceived conflicts to the Board annually and prior to each Board meeting; and
- ⊙ deal in securities only in accordance with the Dealings in Securities Policy adopted by the Board.

The Board is kept apprised of the Group's going concern status and monitors the solvency and liquidity of the Company and Group on a regular basis.

Governance framework continued

Composition of the Board

Blue Label has a unitary Board presently consisting of 10 Directors. The four Executive Directors are the two joint Chief Executive Officers, the Finance Director and the Chief Operating Officer. The remainder of the Board comprises two Non-Executive Directors and four Independent Non-Executive Directors. The Chairman is elected by the Board on an annual basis and his role is formalised in the Board Charter.

All Directors are subject to retirement by rotation every three years in terms of the MOI. In this regard Messrs KM Ellerine, JS Mthimunya and LM Nestadt will be retiring at the forthcoming Annual General Meeting and, being eligible, have made themselves available for re-election. A brief curriculum vitae of each Director appears on pages 21 to 25.

The Board, on the recommendation of the RNC, assessed the independence of the Non-Executive Directors at its meeting held in June 2013 and confirmed the categorisation of directors, as listed on page 102.

Appointment, development and assessment of the Board

The Board on the advice of the RNC ensures that it possesses the required number of Directors with the correct skills, expertise, diversity in demographics and mix of personalities, appropriate for conducting the business of the Board effectively. Board candidates are selected and appointed by the Board based on the recommendation of the RNC.

Induction for new Directors is tailored based on the knowledge and experience of the Director in a listed environment. Focus is placed on providing information on the Board structure, business operations and Group strategy. Ongoing training and development of

Directors involve ad hoc presentations to the Board by professional advisers and Senior management to ensure that the Board is kept abreast with governance, regulatory and operational developments.

Assessment of the performance of the Board collectively and the Directors individually will be conducted on an annual basis. The Board is assessed in terms of the following categories, effectiveness and composition, Board dynamics in terms of number of meetings, agendas, time allowed for meetings and committee structures as well as risk management, succession planning, ethical leadership and corporate citizenship. The results of the assessment is summarised in a report to the chairman who provides relevant feedback to the Board.

Company Secretary

The Company Secretary is responsible for the effective and efficient administration of the Group in accordance with the Act, King III and the JSE Listings Requirements. In addition, providing the Directors collectively and individually with guidance as to their duties, responsibilities and powers and, ensures that all Directors have full and timely access to all information that may be relevant to the proper discharge of their duties and obligations. Directors and Senior management have direct access to the guidance and assistance of the Company Secretary.

The Board's formal assessment of the competence, qualifications and experience of the Company Secretary was not completed in the review year, as the Company Secretary resigned with effect from 30 April 2013. Ms Janine van Eden was appointed Company Secretary with effect from 1 June 2013 and it is intended that the Board's formal assessment will take place in 2014.

The Company Secretary is not a Director of the Board or of any subsidiary boards.



Governance framework continued

Board committees

The Board has delegated certain functions to well-structured committees without abdicating its own responsibilities. The committees, its members and principal functions are set out below:

Committee	Members and attendees	Principal activities
Executive (weekly)	MS Levy (C) EC de Villiers* BM Levy MV Pamensky DB Rivkind DA Suntup	⊙ Implement strategies and policies of the Group ⊙ Manage the business of the Group ⊙ Senior management appointments and performance management ⊙ Prioritise the allocation of capital, technical and human resources ⊙ Review and approve acquisitions, disposals and investments of up to R40 million per transaction.
Audit, Risk and Compliance (quarterly)	JS Mthimunye (C) EC de Villiers* GD Harlow NN Lazarus SC BM Levy* MS Levy* DB Rivkind* DA Suntup* JS Vilakazi	More information on the activities and responsibilities of the committee is included on pages 58 to 62.
Remuneration and Nomination (bi-annually)	NN Lazarus SC (C) EC de Villiers* KM Ellerine GD Harlow BM Levy* MS Levy* DB Rivkind*	⊙ Determine and agree with the Board, the framework or broad policy for the remuneration of the Executive Directors, Non-Executive Directors and any other members of executive management or as it is designated to consider ⊙ Review, for recommendation to the Board, the design of and targets for the Group's Forfeitable Share Plan ⊙ Determine annually whether awards are to be made under the Forfeitable Share Plan and the overall and individual amounts of such awards ⊙ Recommend to the Board the remuneration of Non-Executive Directors for approval by shareholders ⊙ Identify and nominate candidates for the approval of the Board, to fill vacancies as and when they arise ⊙ Recommend the appointment of new Executive and Non-Executive Directors, including recommendations on the composition of the Board and the balance between Executive and Non-Executive Directors and any adjustments that are deemed necessary. More information on the activities and responsibilities of the RNC is included on pages 52 to 57.

Governance framework continued

Committee	Members and attendees	Principal activities
Social, Ethics and Transformation (bi-annually)	JS Vilakazi (C) MJ Campbell* EC de Villiers* KM Ellerine GD Harlow IJ Hindley* NN Lazarus SC* BM Levy (alternate) DB Rivkind	⊙ The main function of the committee is to monitor the Group's activities and compliance with legislation relating to equality, black economic empowerment, good corporate citizenship, the environment, health, public safety and consumer and labour relations, as well as to advise the Board of Directors, where necessary and appropriate ⊙ The Group's ethical business conduct, including any activity on the ethics hotline, is reviewed by the committee. The report of the committee is on page 63.
Investment (ad hoc, minimum 2)	GD Harlow (C) EC de Villiers* DR Hilewitz (Consultant) NN Lazarus SC BM Levy MS Levy JS Mthimunye MV Pamensky DB Rivkind DA Suntup	⊙ Review acquisitions, investments and disposals made within the Executive Committee's mandate ⊙ Review, consider and approve proposed acquisitions, investments and disposals of the Group recommended by the Executive Committee ranging from between R40 million and R100 million per transaction ⊙ Recommend to the Board acquisitions and investments of the Group above R100 million ⊙ Review the performance of each investment and acquisition made.

C – chairman

*attends by invitation



Governance framework continued

Attendance at Board and committee meetings

	Board	Board strategy	Audit, Risk and Compliance	Remuneration and Nomination	Social, Ethics and Transformation	Investment
Number of meetings held for the year	4	1	4	2	2	4
Directors, members and attendees	Number of meetings attended					
LM Nestadt	4	1	NM	NM	NM	NM
KM Ellerine	3	1	NM	2	2	NM
GD Harlow	4	A	4	2	2	4
BM Levy	4	1	2✓	2✓	1	3
MS Levy	4	1	4✓	2✓	NM	4
NN Lazarus SC	4	1	4	2	A	4
JS Mthimunye	4	1	4	NM	NM	3
MV Pamensky	3	1	NM	NM	NM	4
DB Rivkind	4	A	4✓	2✓	NM*	4
JS Vilakazi	3	1	2	NM	2	NM
MJ Campbell	NM	NM	NM	NM	2	NM
DA Suntup	NM	NM	4✓	NM	NM	4
IJ Hindley	NM	NM	NM	NM	2	NM
DR Hilewitz	NM	NM	NM	NM	NM	4

NM – Not a member
A – Apology
* Alternate to BM Levy
✓ Attendee

King III summary

Summary of the application of King III principles

It is the responsibility of the Board to ensure the application of the principles contained in the King III Code, without diluting the Group's focus on sustainable performance. Where relevant, Blue Label's approach and application of King III is explained below.

The table below summarises Chapter 2 of the principles of King III and Blue Label's application thereof (the complete register is available on the website www.bluelabeltelecoms.co.za):

Chapter and principle	Comments on application
Chapter 2 – Board and directors	
The Board should act as the focal point for and custodian of corporate governance	The Board Charter sets out the Board's role, powers and responsibilities both in terms of the latest governance developments as well as the requirements for its composition, meeting procedures and work plan. A review of the Board Charter is under way to ensure alignment to governance requirements.
The Board should appreciate that strategy, risk, performance and sustainability are inseparable	The Board is active in forming the strategy of the Group, ensuring appropriate alignment with the purpose and mandate of the Group. The Board appreciates that strategy, risk, performance and sustainability are inseparable.
The Board and its directors should act in the best interests of the Company	The Board Charter requires the Directors to act in the best interest of the Company by ensuring that individual Directors: ⊙ adhere to the standard of Directors' conduct as set out in the Companies Act; ⊙ recognise that his/her primary fiduciary duty is towards the Company as an entity and to exercise such with the best interests of the Company at heart; ⊙ are permitted to take independent advice necessary to carry out their duties following an agreed procedure; ⊙ disclose real or perceived conflicts to the Board and deal with them accordingly; ⊙ deal in securities only in accordance with the policy adopted by the Board.
The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the Company is financially distressed as defined in the Act	No business rescue proceedings were required.
The Board should elect a Chairman of the Board who is an Independent Non-Executive Director. The CEO of the Company should not also fulfil the role of Chairman of the Board	The Chairman of the Board is an experienced Independent Non-Executive Director elected by the Board.
The Board should appoint the Chief Executive Officer and establish a framework for the delegation of authority	The Board approved the role of joint Chief Executive Officers and has formalised the role and function of the joint Chief Executive Officers including the adoption of a Governance Guideline and Delegation of Authority framework.



King III summary continued

Chapter and principle	Comments on application
The Board should comprise a balance of power, with a majority of Non-Executive Directors. The majority of Non-Executive Directors should be independent	The Board comprises: ⊙ Four Executive Directors ⊙ Two Non-Executive Directors ⊙ Four Independent Non-Executive Directors.
Directors should be appointed through a formal process	A RNC is in place and assists in identifying suitable members that will address the Board's requirements in terms of knowledge, skills and resources. All appointments are made in compliance with the Companies Act, JSE Listings Requirements and the Company's Memorandum of Incorporation.
The induction and ongoing training and development of directors should be conducted through formal processes	Induction programmes for new Directors are tailored based on the knowledge and experience of the Director and focus on providing information on the Board structure and the Group's strategy and operations. Ad hoc presentations are made to the Board by professional advisers and Senior management to ensure that the Board is up to date with governance, regulatory and operational developments. This programme will be formalised further in the coming year.
The Board should be assisted by a competent, suitably qualified and experienced Company Secretary	The role and function of the Company Secretary is in line with the requirements of the Act, governance principles and Listings Requirements.
The evaluation of the Board, its committees and the individual Directors should be performed every year	A Board evaluation was not undertaken during the past year. A questionnaire has been developed as a basis for evaluating the Board's performance in terms of composition, roles, relationships, stakeholder engagement and meetings. The evaluation will be conducted on an annual basis from 2014.
The Board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	The Board has appointed five subcommittees to assist it in its duties: ⊙ ARCC ⊙ Investment Committee ⊙ RNC ⊙ Social and Ethics Committee ⊙ Exco
A governance framework should be agreed between the Group and its subsidiary boards	The governance framework is applied by subsidiary boards and will be further formalised.
Companies should remunerate directors and executives fairly and responsibly	A RNC is in place and assists the Board in ensuring the Group's remuneration policy attracts, retains and motivates top-quality people in the best interests of the Group.
Companies should disclose the remuneration of each individual Director and Prescribed officer	The disclosure of Directors' and Prescribed officer's remuneration meets the requirements of the Act and this governance principle.
Shareholders should approve the Company's remuneration policy	Approved at the Annual General Meeting on 29 November 2012.

Governance of risk

The Board accepts its responsibility for the governance of risk, which includes the total process of risk management and the forming of its opinion on the effectiveness of the process. The Board forms its opinion on the process of risk management based on the recommendations of the ARCC and is satisfied with the effectiveness of the risk management process. The ARCC is responsible for ensuring that the Group has implemented an effective policy and plan for risk management and that the risk disclosures are comprehensive, timely and relevant. The Board and committees' responsibilities are documented in the Blue Label Enterprise Risk Management Framework Policy. Bi-annual risk reporting to the Board is being formalised.

Management is accountable to the Board for designing, implementing and monitoring the process of risk management. The IRCC has been formed by management to support the enterprise-wide risk approach by identifying, evaluating and measuring Group-wide risks and compliance in all functional areas of the Group as well as maintaining adequate internal controls. The IRCC reports to the ARCC bi-annually.

Group-wide strategic risk assessments are conducted bi-annually. These assessments are facilitated by internal audit which plays an important role in evaluating the risk management process and guiding management to continuing improvement. Internal audit does not take any direct responsibility for making risk management decisions or managing the risk management function. The outcome of the risk assessments is integral in developing a plan for audit engagements for the forthcoming year. The risk assessments conducted involve risk identification and prioritisation at subsidiary and holding Company level, followed by interviews with senior management at subsidiary level and key members of executive management to confirm risks, their descriptions and prioritisation. Each risk is evaluated in terms of potential impact, likelihood of occurrence and the perceived effectiveness of controls in place to manage the risks according to set criteria. The Group's material risks are listed on pages 15 to 18.

A draft risk appetite and tolerance framework has been developed in line with the principles of King III and the draft framework was presented to the ARCC for consideration and has been approved by the Board. In terms of the framework priority risks will be considered in terms of risk appetite, which is defined as how much risk the Group is prepared to take in pursuit of its objectives. The Group has identified its strategic risks and acknowledges that its appetite to accept risk varies across

these risks. The ARCC elected to set a risk appetite operating tolerance in respect of each of the prioritised risks. This framework is expected to be refined going forward.

Technology governance

The Board is responsible for the Group's technology governance risk and compliance as detailed on page 35. The Board has delegated its responsibility for the implementation of IT governance to management. This has been formalised by the formation of a department to oversee and co-ordinate the activities relating to governance, risk and compliance. Over the past few years, there has been a maturing of this capability within technology with the implementation of a number of key initiatives to ensure sustainable business operations. The formalisation of the function now further enhances the technology function.

A number of areas relating to technology governance progressed. There has been a significant drive to formalise controls in order to ensure consistent and adequate risk management. The operation's environment has been assessed to ascertain the process requirements from both an enhancement as well as compliance perspective. On the disaster recovery side, resilience has been added to key platforms that are able to continue operations in the event of single-node failures. The next phase has been initiated to consider multi-node failure as well as location outages.

On the project and system changes side processes have been formalised to streamline work activity as well as ensure focus is maintained appropriately. With the growth in business there has been a marked increase in new requests for technology enhancements. We are confident that we have adequate controls to assist our internal customers to meet their objectives while maintaining acceptable performance levels from our systems.

In order to gear the technology function to support the growing business environment, a number of governance, risk and compliance objectives have been set. We have compiled a governance framework by initially identifying generic technology risks. A policy framework has been implemented to manage these risks and an implementation plan is in place to complete the rollout of the policy framework. A compliance analysis plan will be compiled to enhance the governance mechanisms as well as address gaps in implementation. Key enterprise and business risks have been identified in terms of disaster recovery and business continuity. There are plans in place to address these risks over the next year, with further enhancements expected thereafter.



Compliance report

Blue Label continually monitors, researches and reports on the regulatory environment in which the Group operates. Blue Label created a compliance function to assist the organisation in discharging its legal and regulatory responsibilities. The compliance function reports to the ARCC.

Currently the process of compliance reporting encompasses:

- ① identifying and prioritising all acts and regulations at a national level applicable to Blue Label;
- ② incorporating regulatory requirements into control measures such as standard operating procedures or processes, manuals or policies; and
- ③ recommending corrective measures or steps to ensure compliance.

Since the establishment of the compliance function, its challenge has been to provide the Board with adequate assurance that Group-wide compliance is met.

To overcome this challenge Blue Label is introducing a compliance roadmap to formalise the structure and functioning of compliance activities and to promote the importance of compliance within the Group. The roadmap will serve as an extension of our Corporate Compliance Policy and will support the Directors, Executive Officers, management and employees in discharging their relevant compliance responsibilities.

There have been no material instances of non-compliance by the Group or its Directors identified during the past financial year.

Stakeholder relations

Governing stakeholder relationships

The Board has ultimate accountability for stakeholder strategy and engagement, while the responsibility for satisfactory stakeholder relationships vests with every employee in the Group, as we recognise that a good reputation is a competitive advantage.

The nature of the relationships with stakeholders can affect the Group's reputation and therefore ability to create value. We approach stakeholders with trust and respect and look to them for the same mutual good faith. A broad range of internal and external stakeholders with a material interest in, or who are affected by us, has been identified.

We recognise the importance of identifying issues of a shared interest, but also value the opportunity for engagement, as it provides a unique insight into the expectations of each stakeholder group. We have decided on and applied a measured approach to interacting with and responding to stakeholders. A stakeholder engagement programme is also being formalised for all relevant stakeholder groupings. This process takes into account the impact that each stakeholder group may have on our business, while the frequency and form of engagement is aligned to its estimated impact.

Some of the initiatives and methods used in the process of engaging with stakeholders comprise face-to-face formal or informal, individual or group meetings (including the Annual General Meeting), media and stock exchange announcements, presentations,

roadshows, conference calls, the Blue Label website (www.bluelabeltelecoms.co.za), investor days, site and trade visits, perception studies, reputation audits, whistle-blowing facilities and formal grievance mechanisms, financial and sustainability reports, newsletters, circulars and e-mail updates, regular customer, business partner and supplier meetings, below and above the line advertising and marketing across various channels, formal consultations and audit processes, and management and sales conferences. Dialogue, review and feedback is encouraged wherever possible, which in turn is presented to Exco for consideration and/or further action.

In terms of King III and the Board's requirement to address stakeholder management, the Board's approach to stakeholder engagement includes:

- ⊙ identifying and engaging with important stakeholders;
- ⊙ appreciating that stakeholder perceptions affect reputation, and therefore manage reputation risk;
- ⊙ delegating to management the responsibility to deal with stakeholder relationships;
- ⊙ overseeing the mechanisms and processes for the constructive engagement of stakeholders;
- ⊙ disclosing stakeholder engagement in the integrated annual report;
- ⊙ striving to achieve a balance of stakeholders' legitimate expectations in the best interests of the Company; and
- ⊙ ensuring equitable treatment of shareholders.



Stakeholder relations continued

Stakeholder group	Nature of engagement	Method of engagement	Dialogue process and outcomes
Employees	Ongoing communication with employees covers matters of an operational nature, including new developments, product launches, health and safety initiatives, internal policies and practices such as the ethics hotline, new products, competitions, business initiatives, charitable initiatives, human resource matters and staff-related news and regulatory and compliance matters. Blue Label also holds an annual conference attended by senior management. The purpose of the conference is to obtain input and feedback from attendees on strategic and common operational matters. Each segment hosts its own management and strategy conference, held at least once a year.	Staff meetings, newsletters, posters, e-mail, staff notices posted on notice boards, in the canteen and in lifts, lunch and coffee station discussions, management presentations and briefings of financial and personal performance. Other methods include wellness days, a carnival day, blood drives, the winter olympics, the year-end awards ceremony, social events with employees, customers and service providers. More details are provided in the human capital section on page 79. Keynote speakers from industry, discussion groups, breakaway sessions, motivational speakers, team building exercises.	Innovation in our entrepreneurial environment is nurtured, while motivation and values are reinforced in a safe and rewarding environment. Staff performance is reviewed annually with the intention of measuring performance and reviewing salaries. It also provides a forum for staff to make recommendations and/or requests.



Stakeholder relations continued

Stakeholder group	Nature of engagement	Method of engagement	Dialogue process and outcomes
Providers of capital, including shareholders, institutional and retail investors and financial analysts	Engagement includes ongoing and/or ad hoc meetings with top management and often involves presentations covering financial performance of the Group, overview of strategic direction and discussion of the investment proposition. Visits to the Demonstration Centre at No 75 Grayston Drive and visits to customers' sites are arranged on request. Names of individuals from this stakeholder group and their contact details are registered on the Blue Label investor database.	Integrated annual report, interim report and Annual General Meeting. Press announcements of interim and year-end results. SENS announcements via the JSE. Face-to-face meetings, group meetings, tele-conference and video-conference calls. Speaker at investor conferences and workshops. Investor alerts are e-mailed after website registration. See detailed typical annual calendar programme.	To address this stakeholder group's request to increase its understanding of the business model, as well as products and services, management is available to take meetings and conference calls throughout the year, subject to close period dates. Presentations are posted on the Company's website. The Company's Demonstration Centre, situated at No 75 Grayston Drive, Sandton, simulates transactions on various types of terminals, and is popular with all visitors.
Journalists, reporters, editors and other members of the media	Announcements of activities and events in the Group, including the release of financial information twice a year, are communicated timeously to the financial media, trade press and other interested media registered on the Blue Label media database. Briefings to media are held at the interim and full-year results, followed by Q&A. One-on-one interviews are conducted on radio, TV and with print journalists and editors.	News releases are distributed to media and news services both locally and overseas, as per a database maintained by the Company. Media monitoring is outsourced and reports of coverage are received and distributed daily amongst business segments, as appropriate.	To raise this stakeholder group's interest and awareness of the scope of business, products and services, a number of media site and trade visits, including the Demonstration Centre, were held during the year.

Business model and strategic objectives	Leadership	Governance	Operating performance	Financial performance	Shareholders' information and administration
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Stakeholder relations continued

Engagement programme

Typical investor relations and media engagement programme of activities for a calendar year include:

	J	F	M	A	M	J	J	A	S	O	N	D
Results announcement for the year ended 31 May released on SENS and posted to website								✓				
Dividend declared								✓				
Dividend paid									✓			
Results presentation to market – Johannesburg and webcast, materials posted to website		✓						✓				
Results roadshow to institutional investors and sellside analysts – SA		✓						✓				
Results roadshow to institutional investors and sellside analysts – UK and USA			✓						✓			
Integrated annual report and notice of annual general meeting posted to website and shareholders										✓		
Annual General Meeting											✓	
Interim results announcement for the six months ended 30 November released on SENS and posted to website		✓										
Conference call by management to update market on specific activities/operations					✓						✓	
Participation at investor conferences			✓	✓	✓				✓	✓	✓	
Site visits	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Top management engages investors, analysts, media			✓	✓	✓				✓	✓	✓	
Close period	✓	✓				✓	✓	✓				✓
Media	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Employees	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Stakeholder relations continued

Stakeholder group	Nature of engagement	Method of engagement	Dialogue process and outcomes
Customers	The Group's customer base comprises corporate clients, chain stores, large independent retail clients, wholesale/cash-and-carry stores, mom & pop stores and petroleum forecourts. Engagement involves sharing information on new products, market trends, business queries, device installations, marketing, BLU Approved branding, maintenance and support and other growth opportunities. Senior management liaises regularly with their counterparts at customers and suppliers, and in so doing, have built long-term relationships furthering growth opportunities.	A dedicated, national helpdesk operating daily from 07:00 to 21:00 with a team of customer relationship and technical support consultants. Face-to-face formal and informal meetings, and formal consultation. The Company has a CRM system, self-help facilities and dedicated CRCs, to enhance its customer engagement. The environmental impact of motor vehicles operated in the serving of customers is detailed in the Health, Safety and Environment section on page 81.	Price and value for money drive this stakeholder group. FAQs by customers usually involve technical matters or account queries, so it is essential that these are expeditiously resolved to impart a greater sense of value to the customer. A call out is logged for technical matters and a technician will visit the site within 24 to 48 hours. Account queries needing escalation are dealt with by a CRC who will visit the merchant. The contact centre sends regular updates to the merchant base through sms and e-mail communication. CRCs and Regional Managers maintain good relationships through a set call cycle to ensure open communication and updates on new product offerings. Support is also provided for point-of-sale material, branding, minor repairs and maintenance and a key focus is given to up-sell and cross-sell opportunities within the Group's listed products.



Stakeholder relations continued

Stakeholder group	Nature of engagement	Method of engagement	Dialogue process and outcomes
Business partners and suppliers	The relationships with business partners such as Vodacom, MTN, Cell C, Telkom, Eskom, municipalities, utilities and parastatals, and service providers, among others, are managed in terms of distributor and/or dealer agreements. Relationship managers are appointed to each partner to provide a single and dedicated point of contact. Suppliers are subject to a formal procurement process, when issues such as quality of product, creditworthiness and B-BBEE status are confirmed prior to their appointment. Suppliers of services are, if appropriate, initially engaged through a tender process and where successful, agreements are concluded. The majority of the Group's goods and services are procured from locally based suppliers.	Distributor and/or dealer agreements. Face-to-face formal and informal meetings. Site visits are held on request.	We recognise the need to work co-operatively with this stakeholder group to ensure quality and value-for-money in products and services. Matters raised pertain mostly to technical and operational issues, which are resolved timeously to ensure smooth service delivery.

Stakeholder relations continued

Stakeholder group	Nature of engagement	Method of engagement	Dialogue process and outcomes
Communities and educational institutions	In deepening our understanding of the interests of the community in which we operate, while enhancing trust and relationships, the TPC Community Channel specialises in the development and empowerment of broad-based communities through the deployment of mobile technology and products. The community channel aims not only to distribute the Group's products more widely but also to create job opportunities for the members of the communities and to share a portion of the revenues earned with these communities. Senior executives, like the Group Company Secretary, the Group Head of Human Resources and the Head of Investor and Media Relations, also engage with the business community across various levels on a regular basis. Senior executives, including the joint CEOs, are involved in collaborative projects with the Gordon Institute of Business Science (GIBS) and other Business Schools. The joint CEOs are regularly recognised for their contributions to the community. Some of their accolades are detailed in each person's biography on pages 21 and 22.	Face-to-face formal and informal meetings and forums. Training and workshops. Outreach programmes as requested. Presentation at conferences, participation in panel and round-table discussions. Address public conferences, round-table sessions on governance and sustainability. Frequent engagement with lecturers and students in formal and informal settings. Case studies assist the Company and the community in better understanding challenges, achievements and failures. The Company and its executives frequently participate in group discussions with the community on business entrepreneurialism and administration.	In support of contributing responsibly to broader societal issues, the communities in which the TPC Community Channel operates, are concerned about the upliftment of their community, the enhancement of skills and the delivery of services in their areas (mostly rural). This concern is directly addressed by the Community Channel, as it focuses on providing services to these communities as well as creating job opportunities and economic upliftment. This provides extra-mural stimulus for staff and enables them to extend their networks. This enables the Group quick access to talented individuals, while gaining direct line of sight into academia, where it may be able to offer and receive learnings.



Stakeholder relations continued

Stakeholder group	Nature of engagement	Method of engagement	Dialogue process and outcomes
Government, regulatory bodies and the public sector	The Group regularly engages government (at national and local level), parastatals and other public organisations through various tender processes. From a compliance perspective, the completion and rendition of statutory returns are undertaken diligently. Blue Label is not a member of any industry association and/or national/international advocacy organisation in which the Company has positions in governance bodies, participates in projects or committees or provides substantive funding.	Formal personal meetings, written communications, and tender processes.	Our good reputation is our licence to operate and we therefore have to uphold our stature with all stakeholders. During the year under review no prosecutions or fines were brought against the Group for the contravention or non-compliance of any laws or regulations.

Remuneration report

Remuneration and Nomination Committee

The Remuneration Committee has been delegated by the Board with the responsibility of determining the remuneration of the executive directors and senior managers, as well as for approving the allocation of shares under the Company's forfeitable share plan. The Remuneration Committee also acts as the Nomination Committee. Refer to pages 52 to 57 for further details relating to the above.

In respect of the annual salary review of staff, the Group Head of Human Resources provides recommendations to the RNC for its consideration. In turn, the RNC also submits recommendations regarding the fee structure for non-executive directors and the fees for members of the Board committees, for approval by the Board and ultimately shareholders.

The RNC consists of three non-executive directors, namely, Messrs NN Lazarus SC (chairperson), GD Harlow and KM Ellerine. The Chief Executive Officers and the Financial Director attend certain meetings of the Committee by invitation but do not vote on Committee decisions.

Whilst the majority of the Committee members are not categorised as independent, the Board is satisfied that the RNC comprises the Board members most suitably qualified to perform the role and that the Committee members act impartially and fairly in that position.

The chairperson reports to the Board on the RNC's deliberations and decisions.

Philosophy

The Group's remuneration philosophy strives to reward employees in a fair and responsible way and to ensure a culture of high performance through employees who are motivated, engaged and committed in achieving a balance between shareholder interests and appropriate remuneration packages. The remuneration policy is formulated to attract, retain and motivate top-quality people in the best interests of the Group. Remuneration arrangements are designed to support Blue Label's business strategy, vision and to conform to best practices. Total rewards are set at levels that are competitive in the context of the relevant areas of responsibility and the industry in which the Group operates, with due regard to market conditions. Total incentive-based rewards are earned through the attainment of demanding key performance indices and targets, consistent with shareholder growth expectations.

The Group is conscious of succession planning in order to ensure that successors are in place in respect of certain identified positions.

Governance

Key duties of the Committee include:

- ⊙ ensuring that the Group upholds its entrenched remuneration philosophy,
- ⊙ ensuring that the combination of fixed and variable pay is appropriate when benchmarking remuneration levels,
- ⊙ reviewing incentive schemes in order to ensure continuing contribution to growth in shareholder value,
- ⊙ reviewing incentive schemes in order to ensure that they are administered and implemented in terms of the rules and performance targets,



Remuneration report continued

- ⊙ reviewing remuneration of Executive Directors and Senior management, and
- ⊙ submitting recommendations to the Board with regard to non-executive remuneration for ultimate approval by shareholders.

In the course of deliberations, the RNC considers the views of the Chief Executive Officers on remuneration and performance of other Executive Directors and members of Senior management.

Independent advice on market information and remuneration trends is provided to the RNC by external remuneration consultants from time to time. Blue Label's Human Resources Department also assists the Committee by providing supporting information and documentation relating to matters presented to the RNC.

Additional governance principles applicable to the composition and principal activities of the RNC are more fully set out on page 37 of this report.

Policy

The remuneration of Executive Directors and Senior management is determined on a total cost-to-company basis and has three components:

- ⊙ Fixed remuneration – fixed monthly salary and benefits.
- ⊙ Variable remuneration – a short-term performance-related bonus scheme.
- ⊙ Forfeitable share plan – a long-term performance-related incentive scheme.

Fixed remuneration is reviewed annually to ensure that the executives and senior management who contribute to the success of the Group remain remunerated at appropriate levels in accordance with the remuneration philosophy.

The variable pay element provided by the short-term bonus scheme is intended to enhance total pay opportunities, should that be merited by Group and individual performance. The purpose of the annual performance-related bonus scheme is to reward and motivate the achievement of Group and subsidiary financial targets, as well as to motivate strategic and personal performance. The Joint Chief Executive Officers may earn an annual incentive bonus of up to 120% of fixed remuneration and other Executive Directors up to 70%. Senior management may earn up to 50% of their annualised salary package.

Long-term incentives, in the form of forfeitable shares awarded under the share plan, are based on a percentage of total annualised salary packages and are intended to reward sustained long-term performance and to align the interests of the Executive and Senior management with those of shareholders.

Fixed remuneration

Blue Label applies discretion in all remuneration reviews and there is no minimum across-the-board increase to all employees.

Salary increases for the 2014 financial year range from 0% to 6% in bands of 0%, 3% and 6%. Management of each operating company were given the discretion to apply the appropriate increase to each staff member falling under their control within the stipulated range.

The annual salary increase of the Executive Directors for the forthcoming year is 6%.

Details of the Directors' and Prescribed officer's remuneration for the year ended 31 May 2013 appear on pages 190 and 191.

Remuneration report continued

Incentive bonus plan

The Executive Directors and senior management participate in an annual incentive bonus plan, which is based on the achievement of short-term performance targets. These targets comprise financial and non-financial components. The financial performance component is based on growth in profits, as measured by headline earnings per share. The non-financial elements include the achievement of agreed transformation targets, progress in the delivery of the Group's growth strategy in the countries in which it operates, the rollout of the Group's transactional footprint, and the level of progress made in respect of organisational development issues and succession planning.

The Group's performance for the 2013 financial year achieved the levels required in terms of the Group's predetermined target for growth in headline earnings per share. This growth was measured on exclusion of the once-off income receipt in the comparative year. In addition, the non-financial targets set for the Executive Directors and Senior management were also met. The achievement of these targets resulted in each Joint Chief Executive Officer being paid a bonus of 120% of annual salary and the Financial Director and Chief Operating Officer each receiving a bonus of 70% of annual salary.

The bonus parameters for Executive Directors and Senior management for the 2014 financial year have been determined as follows:

1. Executive directors

Chief Executive Officers at 120% of annual salary, Financial Director and Chief Operating Officer at 70% of annual salary, of which 80% will apply to financial criteria and 20% to non-financial criteria.

⊙ Financial (80%)

- If growth in headline earnings per share is less than CPI, no element of the 80% will be paid.
- If growth in headline earnings per share is equal to CPI plus 10%, then 70% of the 80% will be paid either in full or pro rata, as the case may be.
- If growth in headline earnings per share exceeds CPI plus 10%, then an additional 30% of the 80% will be paid.

⊙ Non-financial (20%)

The following criteria will be taken into account in determining qualification for the 20%: leadership, corporate governance best practice, strategy implementation and risk mitigation.

2. Executive and Senior management

A maximum of 50% of annual salary will be paid, of which 80% will apply to financial criteria and 20% to non-financial criteria.

The financial criteria will be split as to 60% on the performance of the subsidiary and 20% on Group performance.



Remuneration report continued

⊙ Financial per subsidiary (60%)

- If growth is less than CPI, no element of the 60% will be paid.
- If growth in headline earnings per share is equal to CPI plus 10%, then 70% of the 60% will be paid either in full or pro rata, as the case may be.
- If growth in headline earnings per share exceeds CPI plus 10%, then an additional 30% of the 60% will be paid.

⊙ Group performance (20%)

- If growth is less than CPI, no element of the 20% will be paid.
- If growth in headline earnings per share is equal to CPI plus 10%, then 70% of the 20% will be paid either in full or pro rata, as the case may be.
- If growth in headline earnings per share exceeds CPI plus 10%, then an additional 30% of the 20% will be paid.

⊙ Non-financial (20%)

The following criteria will be taken into account in determining qualification for the 20%: leadership, corporate governance best practice, strategy implementation and risk mitigation.

Forfeitable share plan

The forfeitable share scheme vesting criteria for the 2010 share scheme allocation was 25% for retention, 25% for the achievement of non-financial indicators and 50% determined with reference to growth in CPI plus 15% over the three-year vesting period.

Vesting of the 2010 share scheme allocations fell due on 31 August 2013. The shortfall between CPI plus 15% and the growth in core headline earnings per share over this period was 2.31%. The Company determined that 3.75% of the shares allocated in 2010 should be forfeited to accord with the shortfall between the target set and the target achieved.

The vesting criteria for the forfeitable shares allocated in September 2013 for vesting over the next three years is as follows:

- ⊙ 40% for retention (three years from date of award); and
- ⊙ 60% financial (50% for growth in core headline earnings per share and 10% based on total shareholder return).

The 50% for growth in core headline earnings per share will be based on the following criteria:

- ⊙ If growth is 5% above CPI over three years, then 20% of the 50% will vest.
- ⊙ If growth is 10% above CPI over three years, then an additional 50% of the 50% will vest.
- ⊙ If growth is 25% above CPI over three years, then a further 30% of the 50% will vest.

The 10% for total shareholder return will be based on a 10% compounded growth in the share price over the three-year vesting period measured with reference to the weighted average price per share during the month of the commencement of the allocation and the weighted average share price for the month during which the vesting takes place, plus dividends over the three-year period.

Remuneration report continued

Executive service contracts

The three-year service contracts of the four Executive Directors are due to expire in November 2013. Mr DB Rivkind, the Group Financial Director, has elected not to renew his contract. Negotiations are underway to renew the contracts of the remaining Executives for a further three-year period. The existing contracts include a restraint of trade undertaking applicable for a period of 12 months from the date the Executive leaves the employ of the Company of his own accord. The restraint of trade is not enforceable in the event of the employment contract not being renewed by the Company or if the Executive's employment is terminated by the Company.

Non-Executive remuneration

Non-Executive Directors receive fees for service on the Board and Board Committees, dependent on attendance. Non-Executive Directors do not receive short-term incentives nor do they participate in the forfeitable share plan of the Company. The fees payable to the Chairman and Non-Executive Directors are recommended by the RNC to the Board, which in turn proposes the fees for approval by the shareholders at the Annual General Meeting.

Non-Executive Directors may be contracted to render services to the Group in addition to the foregoing services from time to time. The remuneration for such additional services is considered by Executive management and approved by the Chairman of the Board and thereafter submitted to the Board for its approval. Details of the fees paid to each of the Non-Executive Directors during the year are reflected on pages 190 and 191.

For the 2014 financial year, the Group intends to continue to use the services of Mr NN Lazarus SC for the provision of legal, corporate, financial and strategic advice, for which he shall continue to receive market-related fees. Such fees shall continue to be considered by Executive management, approved by the Chairman of the Board, who in turn will submit the fees to the Board for approval. The Board resolved at its meeting held on 29 May 2013 that Non-Executive Directors' remuneration be increased for the 2014 financial year by 6%, subject to the approval of shareholders.



Remuneration report continued

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

	Current fee per meeting	Proposed fee per meeting*	Proposed capped fee per annum**
Services as Directors			
– Chairman of the Board	–		R842 700
– Board members	R36 400	R38 584	R192 920
Audit, Risk and Compliance Committee			
– Chairman	R50 556	R53 589	R214 356
– Member	R30 334	R32 154	R128 616
Remuneration and Nomination Committee			
– Chairman	R40 444	R42 871	R171 484
– Member	R24 268	R25 724	R102 896
Investment Committee			
– Chairman	R30 334	R32 154	R257 232
– Member	R18 200	R19 292	R154 336
Transformation, Social and Ethics Committee			
– Chairman	R30 334	R32 154	R128 616
– Member	R18 200	R19 292	R77 168
Ad hoc committee			
– Chairman	R30 334	R32 154	R128 616
– Member	R18 200	R19 292	R77 168

*In the event that there are fewer meetings held per year than envisaged, the member shall receive the fee in respect of the number of meetings attended.

**In the event that there are more meetings held per year than initially planned, directors' fees will be paid only up to the cap.

Audit, Risk and Compliance Committee report

The Audit, Risk and Compliance Committee is pleased to present its report for the financial year ended 31 May 2013.

The Committee is an independent statutory committee appointed by the shareholders of the Company. In addition to its statutory duties the Board has delegated further duties to the Committee. This report covers both these sets of duties and responsibilities.

Mandate and terms of reference

The Committee has adopted comprehensive and formal terms of reference which have been approved by the Board and which are reviewed on an annual basis. The responsibilities of the ARCC include the following:

- ⊙ examining and reviewing the Group's financial statements and reporting of interim and final results;
- ⊙ reviewing and considering, for recommendation to the Board, the consolidated budget for the ensuing financial year;
- ⊙ overseeing integrated reporting;
- ⊙ overseeing the Internal Risk and Compliance Committee function;
- ⊙ monitoring the risk management framework and assess the risks impacting the Group's ability to achieve its strategic objectives;
- ⊙ reviewing and satisfying itself of the expertise, resources and experience of the Blue Label finance function;
- ⊙ overseeing the internal audit function and internal financial control process;

- ⊙ recommending the appointment of the external auditor and overseeing the external audit process including their audit fee, independence, nature and extent of any non-audit services; and
- ⊙ monitoring compliance activities.

Membership and meetings held

In accordance with the requirements of the Act, Messrs JS Mthimunye, GD Harlow, NN Lazarus SC and SJ Vilakazi were appointed to the Committee by shareholders at the Annual General Meeting held on 29 November 2012.

Membership of the Committee remained unchanged during the year under review, as follows:

JS Mthimunye (Independent Non-Executive chairman)
GD Harlow (Independent Non-Executive Director)
NN Lazarus SC (Non-Executive Director)
SJ Vilakazi (Independent Non-Executive Director)

The members of the Committee collectively have experience in audit, accounting, commerce, economics, law, corporate governance and general industry. All of the members of the ARCC, save for Mr Lazarus SC, are Independent Non-Executive Directors. Mr Lazarus SC has specialist professional skills and experience and makes an important contribution to the work of the Committee.



Audit, Risk and Compliance Committee report continued

The Committee meets quarterly and the quorum for each meeting is three members present throughout the meeting. Mandatory attendees at the meetings are the Joint Chief Executive Officers, the Financial Director of Blue Label and the Financial Director of TPC. The audit partner from PwC and a director from KPMG, to whom Blue Label outsources its internal audit function, are also attendees. Both internal and external auditors are afforded the opportunity to address the meeting and have unlimited access to the chairman of the Committee. During the year, the Committee met with the external and internal auditors respectively without the presence of management. The internal audit function reports directly to the ARCC and is also responsible to the Financial Director on day-to-day administrative matters.

Refer to page 39 for the attendance table of the Committee.

Statutory duties discharged

In execution of its statutory duties during the year under review, the Committee:

- ⊙ nominated and recommended to shareholders the re-appointment of PwC as independent external auditors, with Eben Gerrits the audit partner as the registered independent auditor;
- ⊙ approved the fees to be paid to PwC and other external auditors, where applicable, and approved the terms of engagement;
- ⊙ maintained a non-audit services policy which determines the nature and extent of any non-audit services that PwC may provide to the Group;
- ⊙ discharged those statutory duties as prescribed by section 94 of the Act acting

in its capacity as the appointed audit committee of the subsidiary companies of Blue Label;

- ⊙ considered the Committee's report describing how duties have been discharged; and
- ⊙ submitted matters to the Board concerning the Company's accounting policies, financial controls, records and reporting, as appropriate.

Other duties discharged

Financial statements and reporting

The Committee:

- ⊙ monitored compliance with accounting standards and legal requirements and ensured that all regulatory compliance matters had been considered in the preparation of the financial statements;
- ⊙ reviewed the external auditor's report to the Committee and management's responses thereto and made appropriate recommendations to the Board of Directors regarding actions to be taken;
- ⊙ reviewed and commented on the annual financial statements, interim reports, paid advertisements, announcements and the accounting policies and recommended these to the Board for approval;
- ⊙ reviewed and recommended to the Board for adoption the consolidated budget for the ensuing financial year; and
- ⊙ considered the going-concern status of the Company and Group on the basis of review of the annual financial statements and the information available to the Committee and recommended such going-concern status for adoption by the Board. The Board statement on the going-concern status of the Group and Company is contained on page 99 in the directors' report.

Audit, Risk and Compliance Committee report continued

External audit and non-audit services

The ARCC has satisfied itself as to the independence of the external auditor, PwC, as set out in section 94(7) of the Act, which includes consideration of compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. Requisite assurance was sought from and provided by PwC that internal governance processes within the firm support and demonstrate its claim to independence.

To assess the effectiveness of the external auditors, the Committee considered PwC's fulfilment of the agreed audit plan and variations from the plan, and the robustness and perceptiveness of PwC in its handling of key accounting treatments and disclosures.

The Committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the 2013 financial year.

Any non-audit services to be provided by the external auditors are governed by a formal written policy which incorporates a monetary delegation of authority in terms of non-audit services to be provided. The non-audit services rendered by the external auditors during the year ended 31 May 2013 comprised tax advisory services, tax compliance services and general advisory services. The fees applicable

to the aforementioned services totalled R0.9 million (2012: R1.4 million).

The ARCC has nominated, for approval at the Annual General Meeting, the re-appointment of PwC as registered auditors for the 2014 financial year and Eben Gerrits, the audit partner, as the independent registered auditor of Blue Label. The Committee also satisfied itself that PwC is accredited and appears on the JSE List of Accredited Auditors as contemplated in paragraph 3.86 of the Listings Requirements.

Internal audit and internal controls

The Committee:

- ⊙ reviewed the co-operation and co-ordination between the internal and external audit functions to avoid duplication of work. This will be further formalised through a combined assurance facilitation;
- ⊙ examined and reviewed the progress made by internal audit against the approved 2012/13 audit plan;
- ⊙ approved the internal audit plan for the 2013/14 financial year;
- ⊙ considered the effectiveness of internal audit;
- ⊙ considered internal audit findings and corrective actions taken in response to such findings; and
- ⊙ reviewed the effectiveness of the systems of internal control, including internal financial control and risk management.



Audit, Risk and Compliance Committee report continued

Risk management and compliance

The Committee:

- ⊙ reviewed the integrity of the risk control systems and ensured that the risk policies and strategies of the Company are effectively managed;
- ⊙ made recommendations to the Board concerning the levels of tolerance and risk appetite;
- ⊙ monitored bi-annual risk assessments;
- ⊙ ensured that management considered and implemented appropriate risk responses;
- ⊙ reviewed the regulatory risk universe of the Company and the ongoing formalisation of the compliance function to assess the extent to which the Company is managing its compliance risk;
- ⊙ reviewed legal matters that could have a material impact on the Group;
- ⊙ reviewed the adequacy of the Group's insurance cover; and
- ⊙ reviewed developments in corporate governance and best practice and considered their impact and implications across the Group with particular reference to the principles of King III.

The Group's strategic objectives and risks are detailed on pages 14 to 18.

Expertise and experience of the Financial Director and finance function

The Committee considered the appropriateness of the expertise and experience of the Financial Director and finance function in accordance with the Listings Requirements and governance best practice. The ARCC concluded that the

finance function is adequately resourced with technically competent individuals and is effective. The Committee confirms that it is satisfied that David Rivkind possesses the appropriate expertise and experience to discharge his responsibilities as Financial Director.

Annual financial statements

The Committee has reviewed the accounting policies and financial statements of the Company and the Group and is satisfied that they are appropriate and comply with International Financial Reporting Standards and the requirements of the Act.

The Committee recommended the approval of the adoption of the annual financial statements to the Board.

The ARCC is satisfied that it complied with its legal, regulatory and other responsibilities as per its terms of reference.

The contents of this report have been approved by the Committee on 16 August 2013 and read by PwC as at 19 August 2013. Subsequent to this date, the Committee has performed the following responsibilities:

- ⊙ The Committee considered the integrated annual report, incorporating the annual financial statements for the year ended 31 May 2013. The Committee, further, has considered the sustainability information as disclosed in the integrated annual report and assessed its consistency with operational and other information known to Committee members.

Audit, Risk and Compliance Committee report continued

- ⊙ As recommended by King III, internal audit provides a written assessment on the system of internal control and risk management to the Board and a written assessment on internal financial control to the ARCC. The Board's report on the effectiveness of the system of internal financial controls is included in the Statement of Directors' Responsibility on page 97 of the report.
- ⊙ The Committee is satisfied that the Board has performed a solvency and liquidity test on the Company in terms of sections 4 and 46 of the Companies Act and has concluded that the Company will satisfy the test after payment of the final dividend.

- ⊙ The Committee recommended the approval of the integrated annual report to the Board.

On behalf of the Audit, Risk and Compliance Committee:



JS Mthimunya
Chairman

18 October 2013



Social, Ethics and Transformation Committee report

Dear stakeholders

I am pleased to report on the activities of the Committee for the financial year ended 31 May 2013.

The Committee was formed in February 2012 in accordance with section 72(4) of the Act, following a Board decision to reconstitute the Transformation Committee into the Social, Ethics and Transformation Committee.

The Committee met twice during the year under review and its activities focused on formalising its structure and mandate. This included taking advice from PwC. The Committee operates under a Board approved terms of reference, which includes meeting twice per financial year.

At its meeting held in April 2013, the Committee considered matters including:

- ⊙ transformation initiatives in the workplace;
- ⊙ the impact of the revised DTI codes of good practice on the Group;
- ⊙ current and new training and development programmes;

- ⊙ consideration of the feedback provided by the chairman of the Group's Employment Equity Committee;
- ⊙ CSI projects and measurement of CSI spend;
- ⊙ current sponsorships; and
- ⊙ health and safety performance across the Group.

I look forward to reporting on our progress next year.

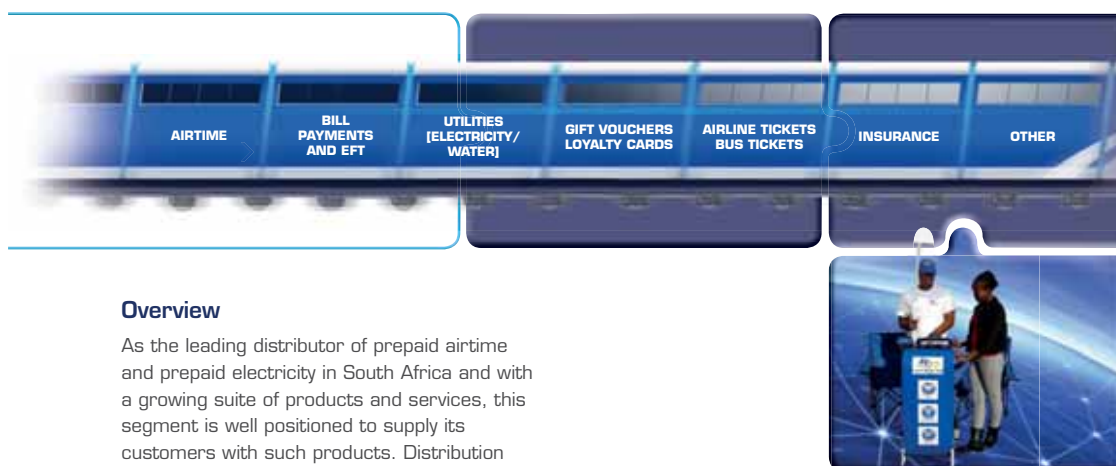
SJ Vilakazi
Chairman

18 October 2013

Operational overview

South Africa

This segment distributes prepaid products and transactional services to the South African wholesale and retail markets. Products include prepaid airtime, starter packs and prepaid electricity. The segment contributes some 99% to Group revenue.



Overview

As the leading distributor of prepaid airtime and prepaid electricity in South Africa and with a growing suite of products and services, this segment is well positioned to supply its customers with such products. Distribution capabilities range from the independent shops, forecourts and rural customers through to the multi-channel retail chains.

Critical to growth is the expansion of supply to the targeted rural and urban market, aligned to the Group strategy of managing “the last mile” of the distribution channel. Each is aimed at deepening penetration in their respective markets. Services to rural areas are via a fleet of trucks and accompanying foot soldiers, whilst distribution to urban merchants is expedited through the Group’s proprietary technology. In respect of retailers, the Group manages the front-end of their businesses, thereby ensuring that the full suite of Blue Label products and services is available to consumers at these outlets.

The trend in consumers buying “direct top-ups” or “PINless top-ups”, as an alternative mechanism for prepaid airtime, continues to escalate.

Blue Label’s widespread network of point-of-sale presence enables it to reach out to consumers every day and everywhere across South Africa.

Prepaid airtime and starter packs

Prepaid airtime and starter pack sales continue to generate the majority of this segment’s profitability.

Operational overview – South Africa continued



Starter packs catering for pregnant women, insurance cover for accidental death and funeral plans, and those linked to events such as the Justin Bieber concert tour of South Africa are examples of the differentiators between TPC and traditional distributors of prepaid airtime.

During the year, when opportunities availed themselves, bulk purchase transactions were concluded with the networks at favourable discount rates. The positive cash resources of the Group facilitated these transactions against a forfeiture of interest received lower than the discounts afforded on these transactions. A post paid contract base and prepaid airtime bases were acquired during the year, for a total of R264 million. Transactions of this nature afford this segment compounded annuity going forward.

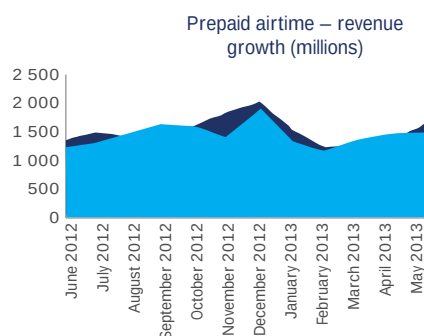
Two new types of low-cost POS terminals, aimed at serving rural merchants, were

recently launched to market. These are branded as “business in a box” and “Rechaja Mo”, an ethnic translation for “recharge here”. Both devices were developed for merchants and vendors at the bottom of the economic pyramid, ensuring a reach beyond the target market for the sale of prepaid products and services. The retail strategy is to escalate supply of products to potentially 1 000 kiosks, in pursuit of managing “the last mile” of the distribution channel.

Another innovation introduced this year was “variable denominational airtime top-up”, which offers a customer the quick and simple choice of utilising the spare change on a transaction to purchasing airtime to that value.

The importance of a targeted approach is that starter packs are distributed to market in a strategic manner, which maximises activation and in turn the resultant annuity revenue stream thereon.

Operational overview – South Africa continued

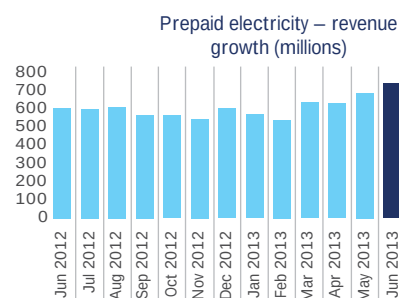


Revenue comprises sales of physical and virtual prepaid airtime as well as compounded annuity generated from starter packs.

Prepaid electricity

The growth in prepaid electricity commissions earned is once again due to a combination of an increasing number of distributor contracts signed with municipalities, increased uptake of prepaid electricity by consumers who are installing prepaid residential meters, widespread usage of the Group's proprietary UniPIN product, in both on and offline environments, and electrification of new and existing government housing developments.

In respect of the sale of prepaid electricity, the Group acts as an agent and not as a principal. Therefore only commissions earned and not the face value of electricity sales are included in the reported revenue stream. Turnover generated on behalf of the utilities increased from R5.5 billion to R7.2 billion in the current year. The commission thereon equated to R113 million.



Revenue on behalf of the utilities, with the month of June 2013 setting a new base exceeding R740 million.

Financial services

Progress has been made in identifying specific financial services opportunities in South Africa.

Agreement has been reached with ABSA, a major bank, to provide merchants in the informal retail sector with card-acceptance terminals. In a world-wide first, MasterCard will also support the POS acquiring terminal roll-out destined for areas where banks cannot find value in deploying their own terminals.



Blu Approved

Blu Approved is the Group's outward visual sign that the Group's products and services are available at a particular point of presence. Blu Approved also serves as a stamp of approval and authenticity, duly endorsed and acknowledged by Blue Label. All Blu Approved merchants are equipped with in-store Blu Approved devices, as well as other marketing tools, which clearly identifies them to customers.



Operational overview – South Africa continued

Other products and services

Also available in South Africa through formal and informal retailers, independents, petroleum forecourts, wholesalers and corporate/banking sectors are:

- ⊙ other financial services, such as bill payments, EFT and money transfers;
- ⊙ a range of ticketing products, including all types of events and transport for long-haul bus passengers; and
- ⊙ others, such as NFC, Spinner and Senda Mobile Merchant.

Operating companies and businesses

The following businesses are housed in the South African Distribution segment:

The Prepaid Company (TPC) is the leading distributor of prepaid products for all the major network operators. It also facilitates, manages and maintains the distribution of all virtual products and starter packs. These services are supported by proven proprietary technology that has been developed in-house. This ensures purchasing efficiency, managing the distribution chain and inventory control. Relationships with each of the network operators are key to the success of this business. TPC is the major contributor to Group revenue and profitability, and is responsible for:

- ⊙ supplier agreements and procurement for the Group;
- ⊙ wholesale and community sales;
- ⊙ sales of airtime bulk printing, starter packs and handsets; and
- ⊙ Group treasury.

The Post Paid Company markets cellular network top-up post paid airtime and data contracts with handsets and tablets, as well as death benefit and handset insurance products. Its distribution channels include outbound call centres, various banks, microlenders and retailers in South Africa.

Blue Label Distribution distributes products through POS terminals, integrated gateways, vending machines, touch screens and RICA devices. There are eight sales branches across the country situated in Sandton, Cape Town,

Durban, Port Elizabeth, Bloemfontein, East London, Nelspruit and Polokwane. Each branch performs the functions of sales, customer service and field support. A 24/7 customer call centre for merchant and UniPIN support, as well as airtime and electricity sales, strengthens their efficient levels of service.

Cigicell distributes virtual prepaid airtime and electricity through a broad network of channels, including formal and informal retail and electronic banking environments. Cigicell is responsible for managing the numerous distribution contracts with utilities in respect of the distribution of prepaid electricity tokens.

The Technology Business, previously reported as a separate segment, is now housed in the South African Distribution segment, as the bulk of its function and services are interdependent in the distribution of airtime, electricity and starter packs.

Through proprietary AEON and AMS systems, as well as the banking grade Postilion platform, the capability as a neutral aggregator is entrenched in connecting to mobile networks, utilities, banks, retailers and petroleum companies.

In Blue Label's business environment of significantly increasing transaction volumes, in excess of 400 million transactions are processed per month, peaking at between 2.5 million and 3 million online transactions in a day. Approximately 80 million bulk print vouchers are distributed per month. Performance and availability across all technology platforms are operating efficiently, with Transaction Junction providing the Group's EFT capabilities.

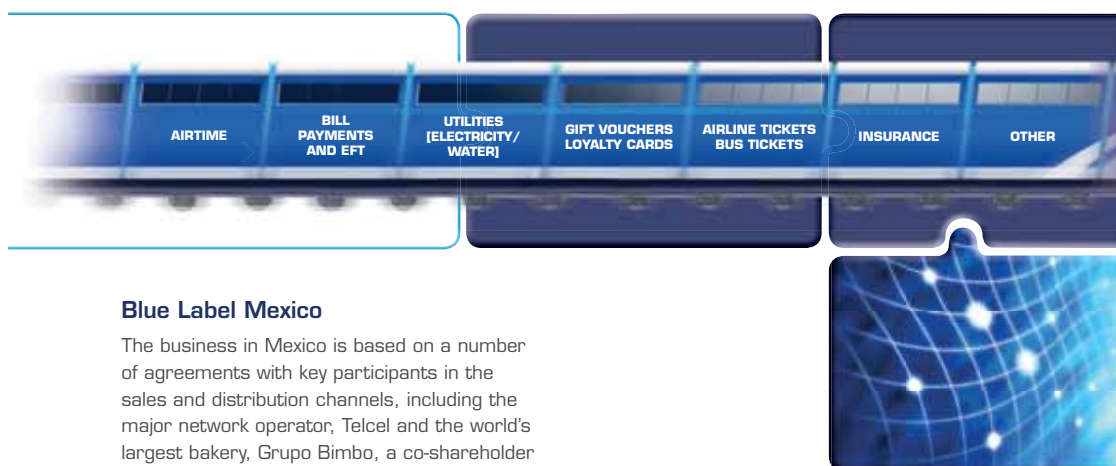
During the year enhanced infrastructure critical for the implementation of the Disaster Recovery and Business Continuity Plan was commissioned.

The South African Distribution segment's contribution to core net profit equated to R571 million.

Operational overview continued

International

The strategy for the International Distribution Segment is to pursue growth opportunities for Group and third-party products and services across its global footprint by systematically rolling out points of presence, in replication of the proven South African business model.



Blue Label Mexico

The business in Mexico is based on a number of agreements with key participants in the sales and distribution channels, including the major network operator, Telcel and the world's largest bakery, Grupo Bimbo, a co-shareholder with Blue Label in BLM.

BLM continues to expand its distribution network across Mexico, which currently touches 60 000 active terminals. Main products on offer include PINless recharge, direct top-up, bill payments and cash collections. It is expected that the current roll-out campaign will reach its targeted objective of 123 000 POS by mid-2014 calendar year.

During the year, efforts were directed to redeploying underperforming POS devices and simultaneously reconfiguring these terminals to facilitate banking and acquiring transactions.

After year-end, agreements were concluded with Banamex, the second-largest commercial

bank in Mexico, and Visa, enabling BLM's terminals to support acquiring debit and credit card transactions in addition to delivering core VAS and airtime sales.

Blue Label's share of losses for the year amounted to R51 million, congruent with the development stage of this market.

Ukash

Ukash is the trading name of Smart Voucher Limited, which is authorised and regulated by the Financial Conduct Authority in the United Kingdom as an electronic money institution. Ukash is a Global e-Money Network and an internationally recognised e-commerce cash payment method. Consumers are able to use



Operational overview – International continued



e-cash vouchers to pay and reload online, in a safe, secure and convenient manner.

Ukash vouchers are available at some 460 000 physical locations in more than 57 countries on six continents.

During the year, Ukash signed a global agreement with MoneyGram for international money transfers, thereby extending its reach to a further 310 000 locations worldwide. Ukash is proud to have won the Queen's Award for Enterprise in International Trade for the third year in succession.

Year-on-year the business continued to grow organically, resulting in an increase in revenue by 32% as measured in Sterling. The Group's share of profit equated to R7.3 million.

Oxygen Services India

Since inception 10 years ago as a prepaid airtime distributor, Oxygen continues building up a valuable distribution network, including becoming India's first and largest payment

solutions provider. Oxygen's current retail footprint processes about 30 million transactions per month, principally through kiosk, POS and e-wallet banking.

This year's activities have been characterised by Oxygen's reach into rural India, supported by the launch of OxiShaan, an ATM cum mini-POS device, as well as the upgrading of existing terminals and the deployment of additional field supporters.

For the first time, instant top-up by EFT through a mobile phone became available through 41 major banks, including Axis Bank, Canara Bank, Corporation Bank, ICICI Bank, Punjab National Bank, SBI, United Bank of India and Yes Bank. The business correspondent segment, offering a variety of services from SBI and Yes Bank through Oxygen's kiosk retailers, continues to grow exponentially.

Following the historic tie-up with the NPCI, Oxygen's mobile e-wallet, namely OxiCash, became India's first non-banked wallet

Operational overview – International continued



approved by the Reserve Bank of India providing direct connectivity to the national switch of the NPCI. OxiCash enables the unbanked to access instant money payment services from any bank, at any place and at any time.

In terms of the partnership with SBI, Mobicash Easy was launched, for which a bank account is not required. It is the only mobile wallet in India which is telco, device and bank agnostic.

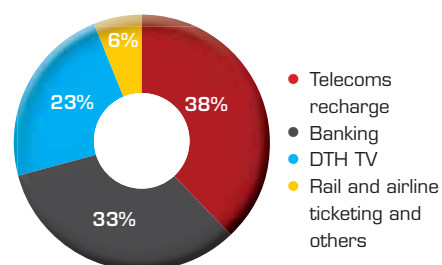
In support of these and other developments in the micro-payments solutions for the unbanked, Oxigen has migrated its systems to a next generation and state-of-the-art transactional platform – branded as "Oxisecure".

New business opportunities include Oxigen's retailers acting as banking correspondents for ICICI Bank, the largest private bank in India,

issuing Saral Money Prepaid VISA cards in Delhi. As awareness of insurance products is low, Oxigen is now promoting the benefits of cover to its retailers. Extended warranty packs for mobile phones, tablets and laptops are now available.

Blue Label's share of losses for the year equated to R565 000.

Product diversity





Case study



"The primary driver for the implementation of **INETCO Insight** was to provide an operational view of our transactional environment that reflected the customer's experience. This is particularly true when system performance degrades as opposed to complete system failures. **INETCO Insight** allows us to easily adjust our view and sensitivity to proactively detect the onset of system degradation."

TRANSACTION JUNCTION

The Business Problem

Transaction Junction's business is divided between electronic funds transfer (EFT) processing and switching, and their value added services (VAS) processing, which includes private label loyalty cards, closed loop credit cards, lotto ticketing, bill payment, prepaid electricity and prepaid mobile air time transactions.

As the VAS side of the business continues to expand, Transaction Junction has put a far greater onus on monitoring the performance and availability of their service suppliers. Revenues accruing from product sales are quickly on the rise for many customers. If a supplier connection fails, it usually results in a direct loss and a very dissatisfied customer. This is why Transaction Junction made the decision to prioritise the following business and technical requirements:

Business requirements

- ⊙ Proactively recognise when operational issues are causing the degradation of customer services
- ⊙ Demonstrate more secure and reliable transaction management services than any other third-party switch provider
- ⊙ Reduce the amount of time, labour and tools involved in system troubleshooting and problem isolation

Technical requirements

- ⊙ Establish a single operational view into the transaction environment that reflects the customer experience – without having to deploy agents, extra traffic loads or code changes
- ⊙ Continuously monitor and alert on specific elements contained inside the application message
- ⊙ Immediately identify network components or third-party connections that are dropping service or not responding
- ⊙ Bridge the information gap between network information and application performance data
- ⊙ Capture and decode a diverse range of transaction protocols, including XML, ISO 8583, Base 24, AEON and proprietary message formats

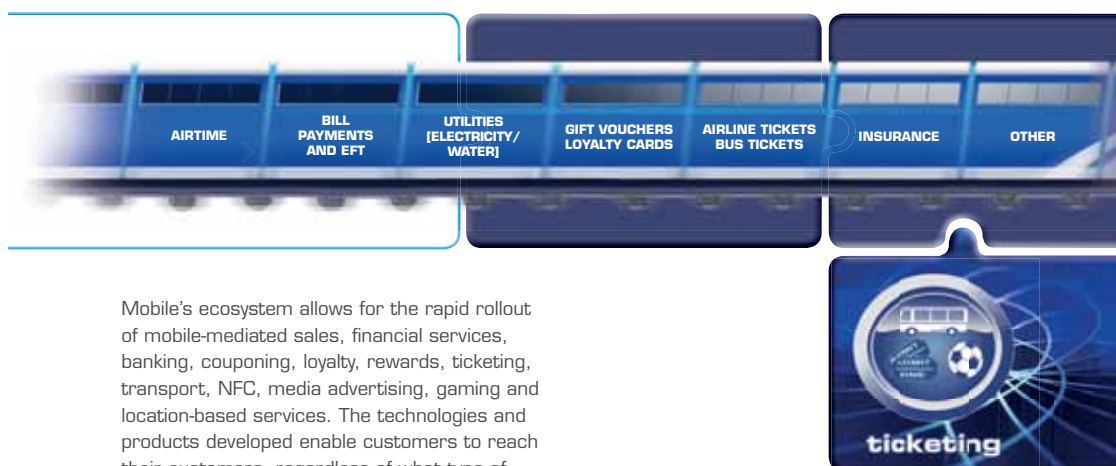
INETCO Insight has assisted Transaction Junction to:

- ⊙ Gain an operational view and reflect the customer experience
- ⊙ Proactively detect the onset of system degradation
- ⊙ Speed up troubleshooting processes by bridging the gap between network and application information
- ⊙ Continuously monitor and alert on specific elements inside the application message
- ⊙ Improve visibility without having to deploy agents, extra traffic loads or code changes

Operational overview

Mobile

The segment provides a complete mobile ecosystem for customers wanting to add mobility to their traditional channels, e.g. smartphone, WAP, JAVA, SMS and USSD.



Mobile's ecosystem allows for the rapid rollout of mobile-mediated sales, financial services, banking, couponing, loyalty, rewards, ticketing, transport, NFC, media advertising, gaming and location-based services. The technologies and products developed enable customers to reach their customers, regardless of what type of phone or mobile operator is being used. Core net profit contribution for this segment amounted to R24.8 million. This segment comprises the following operating entities:

Cellfind

Cellfind is the Group's WASP, aggregator and location-based services provider, predominantly deriving annuity income from location-based services delivered to the major mobile network operators.

Main products offered are aggregation and bulk distribution of SMSs; mobile payslips (miPayslip and miStatement); and LBS (Look4Me, Look4Help, MTN WhereRU, MTN 2MyAid and ER24 IdMe). The partnership

alliance with TeleCommunicationSystems, announced earlier in the year, will soon launch LBS products into Africa.

During the year the acquisition of Panacea Mobile, with its enhanced bulk SMS aggregation capabilities and intelligent distribution, was concluded. This segment processes approximately 150 million SMSs per month.



Operational overview – Mobile continued

Blue Label Engage and Blue Label One

Blue Label Engage and Blue Label One support customer engagement, loyalty and reward programmes and customer management businesses, often referred to as affinity programmes.

NFC and other contactless technologies bridge the gap between mobile and physical transactional services. Notable this year was the introduction of NFC contactless ticketing for the Loftus Versfeld Stadium in Pretoria. Monitoring the usage of a card enables its user to be rewarded and affords the opportunity of cross-selling and up-selling products and services. In addition, fans are able to join supporter groups, providing them with ticketing, stadium access, concessionary management, partner and programme activations and the like. These ultimately enhance a supporter's experience.

This year has seen the launch of spectator sport programmes for rugby's Blue Bulls and Stormers, as well as for Cricket SA. Sponsorship of the Proteas T20 squad, with naming rights, has enabled us access to millions of cricket fans, thousands of whom have joined the "Love Cricket" brand of Cricket SA.

Other programmes on offer are Home Engage – a home warranty product, Motor Engage – a card programme for Club McCarthy and a motor warranty product, as well as Senda mobile merchant. Another development this year has been the Group's acquisition of a sophisticated ticketing engine, which acts as a neutral supplier of tickets.

Breaking news 8 May 2013

NFC-ticketing – a South African first for the Vodacom Bulls and Blue Label Telecoms

In a first for South Africa, Vodacom Bulls' season ticket holders simply tapped contactless cards to gain instant access to the Loftus Versfeld Stadium in Pretoria last week. NFC-enabled turnstile access-control and ticketing systems were installed at all 100 gates and on the first day some 700 fans, issued with cards containing the game ticket and other event information, successfully used NFC ticketing. Blue Label, in conjunction with TicketPros and LiquidNFC, brought paperless NFC ticketing to sports and eventing to South Africa.



Operational overview – Solutions

Solutions

The segment specialises in the marketing of cellular and other products and services through call centres, as well as the provision of data and analytical support services.



This segment houses CNS Call Centre, Velociti Call Centre, Datacision and Blue Label Data Solutions. The latter is accredited by the Direct Marketing Association of South Africa. Core net profit contribution from this segment was R13.2 million.

Data bases continually expand, reaching over 43 million consumers this year. Growth was mainly derived from a consistent focus on products and services related to data and its analytics, such as fraud and debt management

solutions (often referred to as forensic intelligence data solutions), automated voice messaging, field lead generation and consumer analytics.

The call centre business remains challenging, which has resulted in a shift in strategy to focus on lower risk telesales and customer care related work.



Value added statement

Value added is defined as the value created by the Group's activities and is determined as income less impairments, amounts spent on corporate social investment and other operating expenditure. Blue Label's value added statement shows the total wealth created by the Group and how it was distributed to the Group's stakeholders, taking into account the amounts retained and reinvested in the Group for the replacement of assets and the development of operations.

	2013 R'000	2013 %	2012 R'000	2012 %
Value added				
Value added by operating activities	1 050 765	95.9	1 068 131	94.7
Revenue	18 984 210		18 722 080	
Net operating expenses	(17 933 445)		(17 653 949)	
Value added by investing activities	45 489	4.1	59 730	5.3
Interest income	45 489		59 730	
	1 096 254	100	1 127 861	100
Value distributed				
Distributed to employees	332 901	30.4	329 406	29.2
Salaries, wages, medical and other benefits	332 901		329 406	
Distributed to providers of finance	23 767	2.2	3 307	0.3
Finance costs	23 767		3 307	
Distributed to the state	215 075	19.6	190 759	16.9
Income tax	215 075		190 759	
Distributed to social responsibility	4 242	0.4	3 340	0.3
Corporate social investment	4 242		3 340	
Value reinvested	112 164	10.2	181 575	16.1
Depreciation, amortisation and impairment	67 951		91 557	
Net discounting finance cost	15 558		66 505	
Share of losses of associates and joint ventures	47 326		19 835	
Deferred taxation	(18 671)		3 678	
Value retained	408 105	37.2	419 474	37.2
Retained profit	424 841		438 104	
Minority shareholders' interest	(16 736)		(18 630)	
	1 096 254	100	1 127 861	100



Social practices

The Group is closely aligned in its approach to transformation and social practices with that of prevailing legislation, which includes inter alia the Labour Relations Act, Basic Conditions of Employment Act, B-BBEE Act, Employment Equity Act and Skills Development Act.

Training and development

All training and development within the Group is completed under the banner of the Blue Label Academy. A total of 473 e-learning vouchers were purchased by the Group for staff, based on their specific training needs. The e-learning product suite offers modules relating to both business and technical skills. In addition to e-learning, staff are able to attend formal training initiatives at various accredited institutions. The Group spent a total of R3.9 million (2012: R2.7 million) on training in the year under review. The increase in spend is attributed to the focus on developing technological competencies, particularly within the designated group. The Group has

appointed a National Technical Training Manager responsible for planning and implementing a targeted technical programme to upskill technicians, while a National Non-Technical Training Manager has been appointed to provide targeted training initiatives aimed at developing leadership skills and business acumen among designated groupings.

Learnerships

The Group places a significant emphasis on learnerships. The Group continues to partner with Bytes People Solutions in the provision and management of the learnership programme. All learners are from the designated group and are allocated to various subsidiary companies based on their particular area of expertise. A total of 31 learners are currently in training throughout the Group (2012: 33 learners). Of the 31 learners, eight are disabled (2012: eight learners). In addition, 64% of the learners are female.

The Group learnership profile is as follows:

Blue Label Telecoms – Group learnership profile

No	Subsidiary	Number of learners	Skill set
1	Cellfind	1	End User Computing disabled female
		2	System Development female
2	Cigicell	1	Technical Support disabled male
		1	Technical Support female
3	Blue Label Distribution	2	End User Computing disabled female
		3	End User Computing disabled male
		6	Technical Support female
		4	Technical Support male
		1	System Support male
		1	System Support female
4	The Prepaid Company	2	End User Computing male
		5	Technical Support female
6	Panacea Mobile	1	End User Computing disabled female
7	Transaction Junction	1	Technical Support female
Total		31	



Social practices continued

The Group has also engaged in various other initiatives such as the Techno Girl Programme in partnership with the Department of Education, which provides a female in Grade 9 with work experience in various occupations and skills sets within the Group, through job shadowing within the work environment.

Socio-economic development

The CSI spend is closely linked to the CSI requirements established in the BEE Codes. The CSI spend spans across various beneficiary categories including HIV, youth development, education and sports development and all the amounts exclude VAT.

For the year under review the Group donated R4.2 million (2012: R3.3 million) to various beneficiaries via the Blue Label Chairman's Fund. The focus of the Group's investment in SED has remained on HIV/Aids prevention and youth development. Over and above this, the Group has shifted its focus towards education, with the emphasis on funding school fees and educational facilities for children at primary and secondary school level within previously disadvantaged communities.

Staff are encouraged to participate in as many SED initiatives as possible. They attend and host gatherings in various children's homes and help out with entertainment.

The Group hosted two campaigns in partnership with Reach for a Dream. Twelve

terminally ill girls attended a "Queen for a Day" Initiative, held on Valentine's Day, where a number of female staff pampered the girls. Recently, a number of terminally ill boys were taken on an excursion to the Elephant Sanctuary accompanied by some of the Group's male staff as part of the "Captain Courage" campaign. Some members of the South African T20 cricket team joined the visit.

The Group also hosted an event to highlight the plight of the rhino and raised over R100 000 for Africa Cries, an NGO focusing on educating youth on the plight of endangered species.

The Group has sustained support for a number of beneficiaries since listing in 2007. These include Malamulele Onward, Soweto Marimba Youth League (SMYLE Trust), Feed SA, Afrika Tikkun.

Enterprise development

The Group maintains its support of identified beneficiaries for enterprise development spend, which in turn has led to greater sustainability within these entities.

ZOK continues to empower entrepreneurs from designated groups within disadvantaged communities by equipping them with fully operational containers that can be used to sell goods and services as a retail solutions provider. TPC provides financial assistance, strategic support and access to key relationships with the major network operators.

Social practices continued

Parkrun SA, now in its second year of operation, has over 15 000 registered runners participating at 14 venues across the country. The Group's support is directed at financial, strategic and human capital input. Cellfind is currently developing a software platform to enable runners to register using USSD capabilities. This means that the large portion of South Africans, who do not have access to a smartphone, will have the ability to register and participate in parkruns countrywide. Parkrun SA recently secured sponsorships from Discovery Vitality and Adidas.

Preferential procurement

The Group continues to actively procure goods and services from B-BBEE certified suppliers.





Human capital

The Group continues its quest to attract new talent. Significant focus has been placed on attracting technically qualified individuals with software development and infrastructure capabilities. The Group employs 1 112 employees (2012: 1 216 employees). New staff members attend a comprehensive induction process aimed at integrating them into the Group as quickly as possible.

New staff are offered the suite of employee benefits currently available i.e. medical aid, Group life benefit, wellness programmes and access to various Group products such as mipayslip, mitraffic etc.

A number of wellness days have been introduced for the benefit of the staff and the community as a whole. One of the most successful initiatives is the blood drive in partnership with the South African Blood Transfusion Service, which is held every quarter. A mobile pamper service visits head office monthly for the benefit of on-site de-stressing and relaxation. An eco-friendly car wash service is also offered to staff at a subsidised rate. As staff utilise the Gautrain to and from work, the Company provides a shuttle service free of charge between Sandton Station and head office.

A monthly newsletter is produced for circulation internally throughout the Group for the purpose of, *inter alia*, highlighting recent events, profiling new employees and creating awareness of staff benefits. The staff nominate the "Superhero of the Month Award", which is typically an employee who has gone beyond the call of duty and should be recognised for their effort.

BLD and Cellfind recently completed a process to redraft job descriptions. These outcomes

were utilised for the purposes of conducting performance appraisals over April and May 2013. Each of the positions underwent an empirical grading process, which has in turn been linked to a market-related salary. The results are available to both staff and management, subject to certain access requirements, in the online employee self-service portal.

Blue Label management views incidents of child labour as morally abhorrent. By extension, Blue Label does not allow child, forced or compulsory labour and considers such incidents as a risk to the Group and its reputation. Furthermore, the Group supports the rights afforded to children in the Constitution of the Republic of South Africa, the Bill of Rights and other relevant legislation.

Employment equity

The Group continues to support and practice equitable and fair employment practices for all staff. The Group recently appointed an Employment Equity Committee which is representative of all levels, ethnic groups and genders across the Group. The committee meets quarterly and has been instrumental in identifying barriers to employment and affirmative action, establishing targets for each subsidiary, and assisting executives at subsidiary level to address under and over representation at the appropriate levels.

The performance of the EEC is monitored by the Social, Ethics and Transformation Committee, to which the chairperson of the EEC is an invitee. The Group continues to be a non-union based environment.

Human capital continued

The table below reflects the demographics and profile of the employee base for the financial years indicated, excluding operations at international associates and joint ventures.

Levels	AM	CM	IM	WM	AF	CF	IF	WF	Total 2013	Total 2012	Total 2011
Unskilled and defined decision makers	35	2	4	9	16	3	0	3	72	57	70
Semi-skilled and discretionary decision makers	18	6	11	14	27	15	5	35	131	185	286
Skilled technical and academically qualified workers, junior management, supervisors	35	20	28	57	19	11	16	38	224	201	220
Professionally qualified and experienced specialists and mid-management	3	3	6	52	2	2	5	21	94	80	89
Senior management	0	0	3	40	1	1	1	11	57	55	70
Top management	2	0	0	32	1	0	0	0	35	41**	47*
Total permanent	93	31	52	204	66	32	27	108	613	619	782
Non-permanent staff	86	12	70	4	209	39	73	6	499	597	575
Grand total	179	43	122	208	275	71	100	114	1 112	1 216	1 357

AM: African male CM: Coloured male IM: Indian male WM: White male AF: African female CF: Coloured female IF: Indian female WF: White female

*included six non-executive directors.

**included four non-executive directors.

The decrease in the actual number of employees is attributable to normal attrition, cost cutting, outsourcing initiatives and the sale of various Group entities.



Health, safety and environment

A healthy and safe working environment is a key priority across all companies in the Group. To achieve this, the Group has an active Health and Safety Forum which meets regularly. A Group Health and Safety Officer has been appointed, who ensures on an ongoing basis, that compliance to the OHSA is achieved throughout the Group. All health and safety representatives, first aiders and fire marshals are trained and refreshed on a regular basis, while regular evacuation drills are conducted and external audits are completed. The Group is also reviewing its business continuity plan, inclusive of technology, financial and operational contingency requirements.

The three main safety risks for the Group continue to be motor vehicle accidents, general office environment accidents and fire. The Group had 10 non-reportable incidents during the year (2012: 17). Unfortunately, the Group experienced its first reportable incident this year in a fatal motor vehicle accident.

Disabling injury frequency rate	2013	2012	2011
South African operations	0.62	1.102	0.625
Work-related fatalities	1	0	0

The disabling injury frequency rate decreased by 0.48 from 2012 to 2013. This is largely attributed to greater awareness and vigilance about safe work practices amongst the staff.

The Group continues to offer the "Wellness for Life" programme, which aims at addressing specific social, emotional and physical issues which staff may present. This is offered on an individual counselling basis.

Environmental practices

The responsible use and management of natural resources form a critical part of the Group's daily business activities. Whilst the Group's business activities are categorised as low risk from an environmental perspective, the Group proactively implements and manages "environmentally friendly" practices and procedures. The Group actively manages its environmental impact including carbon emissions and waste management.

The table below reflects electricity usage at the Group's head office. The kWh usage is calculated in accordance with the % of space occupied by Group companies at 75 Grayston Drive. The fuel usage represents the fleet of vehicles operated by TPC and BLD.

The fleet consists of vehicles that are utilised by technicians, customers service consultants and company drivers.

During the year under review, the Group was not issued with any reviews, prosecutions or fines in respect of the contravention of any environmental laws and regulations.

No significant changes were made to the scope, boundaries or measurement methods. The total electricity usage has been restated to only include the amounts used by the Group at head office. Other than electricity, there have been no restatements of sustainability information when compared to the 2012 integrated annual report.

Environmental parameters	2013	2012	2011
Total electricity usage (kWh) (head office)	1 679 550	1 557 388	1 499 242
Fuel (litres)	493 127	531 808	407 583

Assurance report

Independent Assurance Report to the directors of Blue Label Telecoms Limited

We have been engaged by the directors of Blue Label Telecoms Limited ("Blue Label" or the "Company") to perform an independent limited assurance engagement in respect of Selected Sustainability Information reported in the Company's Integrated Annual Report for the year ended 31 May 2013 (the "Report"). This report is produced in accordance with the terms of our contract with the Company dated 23 April 2013.

Independence and expertise

We have complied with the International Federation of Accountants' (IFAC) Code of Ethics for Professional Accountants, which includes comprehensive independence and other requirements founded on fundamental principles of integrity, objectivity, and professional competence and due care, confidentiality and professional behaviour. Our engagement was conducted by a multi-disciplinary team of health, safety, environmental and assurance specialists with extensive experience in sustainability reporting.

Scope and subject matter

The following information in the Report was selected for an expression of limited assurance:

- ⊙ Value added statement (page 75)
- ⊙ Total corporate social investment spend (Rand) (page 75)
- ⊙ Total number of employees for the Group (including permanent and temporary employees, and excluding terminated employees) (page 80)

⊙ Electricity purchased from Eskom (kWh) (page 81)

We refer to this information as the "Selected Sustainability Information".

We have not carried out any work on data reported for prior reporting periods, nor have we performed work in respect of future projections and targets. We have not conducted any work outside of the agreed scope and therefore restrict our opinion to the Selected Sustainability Information.

Respective responsibilities of the directors and PricewaterhouseCoopers Inc.

The directors are responsible for the selection, preparation and presentation of the Selected Sustainability Information in accordance with the criteria set out in the Company's internally defined procedures presented in the Glossary of Terms and Acronyms on page 262 of the Integrated Annual Report, collectively referred to as the "Reporting Criteria". The directors are also responsible for designing, implementing and maintaining of internal controls as the directors determine is necessary to enable the preparation of the Selected Sustainability Information that are free from material misstatements, whether due to fraud or error.

Our responsibility is to form an independent conclusion, based on our limited assurance procedures, on whether anything has come to our attention to indicate that Selected Sustainability Information has not been prepared, in all material respects, in accordance with the Reporting Criteria.



Assurance report continued

This report, including the conclusion, has been prepared solely for the directors of the Company as a body, to assist the directors in reporting on the Company's sustainable development performance and activities. We permit the disclosure of this report within the Report for the year ended 31 May 2013, to enable the directors to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the Report. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the directors as a body and the Company for our work or this report save where terms are expressly agreed and with our prior consent in writing.

Assurance work performed

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000: Assurance Engagements other than Audits and Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements and that we plan and perform the assurance engagement to obtain limited assurance on the Selected Sustainability Information as per the terms of our engagement.

Our work included examination, on a test basis, of evidence relevant to the Selected Sustainability Information. It also included an assessment of the significant estimates and judgements made by the directors in the preparation of the Selected Sustainability Information. We planned and performed our work so as to obtain all the information and

explanations that we considered necessary in order to provide us with sufficient evidence on which to base our conclusion in respect of the Selected Sustainability Information.

Our limited assurance procedures primarily comprised:

- ⊙ reviewing processes that Blue Label have in place for determining the Selected Sustainability Information included in the Report;
- ⊙ obtaining an understanding of the systems used to generate, aggregate and report the Selected Identified Sustainability Information;
- ⊙ conducting interviews with management at Blue Label's offices;
- ⊙ applying the assurance criteria in evaluating the data generation and reporting processes;
- ⊙ performing control walkthroughs;
- ⊙ testing the accuracy of data reported on a sample basis for limited assurance;
- ⊙ reviewing the consolidation of the data at Blue Label's offices to obtain an understanding of the consistency of the reporting processes compared with prior years and to obtain explanations for deviations in performance trends; and
- ⊙ reviewing the consistency between the Selected Sustainability Information and related statements in Blue Label's Integrated Annual Report.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement, and therefore less assurance is obtained with

Assurance report continued

a limited assurance engagement than for a reasonable assurance engagement.

The procedures selected depend on our judgement, including the assessment of the risk of material misstatement of the Selected Sustainability Information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of the Selected Sustainability Information in order to design procedures that are appropriate in the circumstances.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Inherent limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining, calculating, sampling and estimating such information. The absence of a significant body of established practice on

which to draw allows for the selection of different but acceptable measurement techniques which can result in materially different measurements and can impact comparability. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgements. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time. It is important to read the Report in the context of the internally defined procedures set out in the Glossary of Terms and Acronyms presented on page 262 of the Report.

Conclusion

Based on the results of our limited assurance procedures performed, nothing has come to our attention that causes us to believe that the Selected Sustainability Information for the year ended 31 May 2013, has not been prepared, in all material respects, in accordance with the reporting criteria.



Assurance report continued

Other matters

The maintenance and integrity of Blue Label's website is the responsibility of Blue Label's directors. Our procedures did not involve consideration of these matters and, accordingly, we accept no responsibility for any changes to either the information in the Report or our independent assurance report that may have occurred since the initial date of presentation on the website.

PricewaterhouseCoopers Inc.

Director: Wessie van der Westhuizen

Registered Auditor

Johannesburg

18 October 2013

Financial Director's report



David Rivkind,
Financial Director

CAPITAL AND RESERVES ACCUMULATED TO R3.2 BILLION, FURTHER SOLIDIFYING THE FOUNDATION OF GROUP RESOURCES.

Financial review

The comparative year included a once-off income receipt of R79.4 million. On exclusion of this income, headline earnings per share increased by 17% to 64.17 cents. This growth was achieved through an increase in gross profit margins from 6.45% to 6.70% on revenue of R19 billion, overhead escalation contained at 3% and the effect of the reduction in issued shares resulting from the repurchase of Microsoft's 12% shareholding in December 2011.

The growth in earnings, with the South African distribution segment being the main contributor thereto, was achieved in spite of compounding

losses in Mexico and a decline in the performance in the call centre operation.

Commissions earned on the distribution of prepaid electricity and compounding annuity revenue generated from starter packs continued to grow exponentially.

The Group capitalised on its accumulated cash resources by utilising funds to take advantage of bulk inventory purchase opportunities at favourable discount rates. This resulted in an increase in inventory holding and a commensurate decline in cash resources.

Capital and reserves accumulated to R3.2 billion, further solidifying the foundation of Group resources. The net asset value at year-end equated to R4.81 per share (2012: R4.32 per share).



Financial Director's report continued

Group income statement

Headline earnings before the comparative once-off other income receipt represents the true trading performance of the Group. Therefore the income statement below has been prepared on this basis.

	31 May 2013 R'000	31 May 2012 R'000	Growth R'000	% growth
Revenue	18 984 210	18 715 390	268 820	1
Gross profit	1 271 245	1 207 922	63 323	5
GP margins	6.70%	6.45%	0.25%	
Other income	12 313	17 307	(4 994)	(29)
Overheads	(573 116)	(548 813)	(24 303)	(4)
EBITDA	710 442	676 416	34 026	5
Depreciation and amortisation	(64 543)	(73 883)	9 340	13
EBIT	645 899	602 533	43 366	7
Finance costs	(167 096)	(181 081)	13 985	8
Finance income	173 260	170 995	2 265	1
Net profit before taxation	652 063	592 447	59 616	10
Taxation	(197 137)	(186 456)	(10 681)	(6)
Net profit after tax	454 926	405 991	48 935	12
Non-controlling interest	16 906	8 807	8 099	92
Share of profit from associates	6 726	6 844	(118)	(2)
Share of losses from joint ventures	(54 052)	(26 679)	(27 373)	(103)
Headline earnings from continuing operations	424 506	394 963	29 543	7
Discontinued operation – APS Nigeria	–	(5 492)	5 492	100
Headline earnings before comparative once-off other income	424 506	389 471	35 035	9
Once-off other income, net of tax	–	68 284	(68 284)	(100)
Headline earnings	424 506	457 755	(33 249)	(7)
Headline earnings adjustments	335	(19 650)	19 985	102
Net profit attributable to equity holders of parent	424 841	438 105	(13 264)	(3)
Core intangible adjustment	12 675	17 693	(5 018)	(28)
Core net profit	437 516	455 798	(18 282)	(4)
Earnings per share (cents)	64.22	61.87		4
Headline earnings per share (cents)	64.17	64.65		(1)
Core earnings per share (cents)	66.13	64.37		3
Headline earnings per share excluding comparative once-off other income (cents)	64.17	55.01		17

Financial Director's report continued

Revenue

The revenue increase by 1% to R19 billion does not include the turnover of Oxigen Services India, Blue Label Mexico and Ukash, as these international associate and joint venture companies are equity accounted for.

The vending of "pinless top ups" was introduced as an alternative mechanism for the distribution of prepaid airtime during the comparative year. Only the gross profit earned thereon is included in Group revenue as opposed to the gross revenue generated from transactions of this nature. These sales increased from R177 million to R997 million, equating to an effective growth in total Group revenue by 6% on imputing this gross revenue.

Gross profit

Gross profit increased by R63 million after accounting for IFRS adjustments. On exclusion of these accounting adjustments, gross profit increased by R123 million. The increase in gross profit was attributable to growth in commissions on prepaid electricity and the effects of compounding annuity revenue from starter packs and starter pack bases.

Similarly, the increase in gross profit margins from 6.45% to 6.70%, inclusive of IFRS adjustments, equated to a growth from 6.04% to 6.60% on exclusion of these adjustments. The adjustments take into account the interest element on both credit afforded to customers and credit obtained from suppliers. Exclusion thereof demonstrates the true performance from a pure trading perspective.

Overheads

Overheads comprising employee costs and operating expenses totalled R573 million, representing an increase of R24 million (4%) on the comparative year.

EBITDA

The EBITDA increased by 5% to R710 million inclusive of an increase in legal fees by R16 million expended on the Mutli-Links litigation.

Depreciation and amortisation

Depreciation and amortisation declined by R9.3 million. This was primarily attributable to the reduction in the amortisation of intangible assets in terms of purchase price allocations by R6.9 million in line with the expiration of useful tenure. Depreciation of the remainder of the assets decreased by R2.4 million.

NET FINANCE INCOME

Finance costs

Finance costs totalled R167 million, of which R24 million related to interest paid on borrowed funds and R143 million to imputed IFRS interest adjustments on credit received from suppliers. On a comparative basis, interest paid on borrowed funds was R3 million and the imputed IFRS interest adjustment equated to R178 million. The increase in interest paid on borrowed funds was attributable to bulk inventory purchase transactions of which facilities were utilised and repaid during the year.



Financial Director's report continued

Finance income

Finance income totalled R173 million, of which R45 million related to interest received on cash resources and R128 million pertaining to IFRS adjustments. On a comparative basis interest received on cash resources amounted to R60 million and the imputed IFRS interest adjustment R111 million. The decline in interest received on cash resources was in line with the utilisation of funds on hand for bulk inventory purchase transactions and partly due to a reduction in interest rates by 0.5% from July 2012.

Non-controlling interest

The non-controlling interest was mainly attributable to the minority's share of losses in Africa Prepaid Services Nigeria.

Share of profit from associates

The share of profits of R6.8 million represented the Group's share of earnings of Ukash and Oxigen Services India.

Share of losses from joint ventures

The share of losses of R54 million was mainly representative of the Group's 45% share of Blue Label Mexico's losses.

Discontinued operation

The discontinued operation refers to Africa Prepaid Services Nigeria. Although trading operations have ceased, the losses of R5.5 million in the prior year emanated from expenditure incurred on the winding down of this operation.

Headline earnings before comparative once-off income

Headline earnings of R425 million equated to a 9% increase on exclusion of the once off income receipt in the comparative year.

Net headline earnings adjustments

In the comparative year, the net headline earnings adjustments pertained to the loss on disposal of Group companies and impairments, which resulted in a negative adjustment to headline earnings by R20 million.

Headline earnings per share

Headline earnings per share increased by 17% to 64.17 cents on exclusion of the once-off comparative receipt.

Financial Director's report continued

SEGMENTAL REPORT SOUTH AFRICAN DISTRIBUTION

	2013 R'000	2012 R'000	Growth R'000	% growth
Revenue	18 712 080	18 439 688	272 392	1
Gross profit	1 121 747	1 059 785	61 962	6
EBITDA	796 439	737 488	58 951	8
Core net profit	570 766	513 130	57 636	11
Gross profit margin	5.99%	5.75%		
EBITDA margin	4.26%	4.00%		

In the comparative year, the technology segment was reported on separately. As the bulk of its function and services are interdependent in the distribution of airtime, electricity and starter packs, it is more prudent to house its expenditure in the South African distribution segment. Accordingly, the technology segment has been included in the South African distribution segment and the comparative segmental results in this regard have been restated in accordance with IFRS 8 "Operating Segments".

Prepaid airtime, annuity revenue generated from starter packs and commissions earned on the distribution of prepaid electricity, accounted for a 1% increase in revenue. This excluded the growth of R820 million in sales of pin-less top ups, the gross profit thereon only being accounted for as revenue. Growth in revenue effectively equated to 6%.

Commissions earned on the distribution of prepaid electricity increased by R28 million (33%) to R113 million on revenue generated on behalf of utility suppliers of R7.2 billion (2012: R5.5 billion). The Group acts as an agent in the distribution of prepaid electricity.

Gross profit increased by R62 million (6%), supported by margin increases from 5.75% to 5.99%. On exclusion of IFRS adjustments and in turn reflecting the true trading performance of this segment, gross profit increased by R122 million on margin growth from 5.33% to 5.90%. Of this growth of 0.57%, commissions on prepaid electricity accounted for 0.14%.

The growth in EBITDA of 8% was inclusive of the effects of IFRS adjustments. On exclusion of these adjustments in both the comparative and current years, a more representative growth of R119 million (18%) was achieved.

Business model and strategic objectives	Leadership	Governance	Operating performance	Financial performance	Shareholders' information and administration
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Financial Director's report continued

INTERNATIONAL DISTRIBUTION

	2013 R'000	2012 R'000	Growth R'000	% growth
Revenue	–	17 429	(17 429)	(100)
Gross profit	–	2 574	(2 574)	(100)
EBITDA	(31 000)	(15 901)	(15 099)	(95)
Discontinued operations				
– Africa Prepaid Services Nigeria	–	(5 493)	5 493	100
Share of losses from associates and joint ventures	(49 036)	(19 182)	(29 854)	(156)
– Ukash	7 291	2 228	5 063	227
– Oxigen Services India	(565)	4 616	(5 181)	(112)
– Blue Label Mexico	(51 124)	(24 873)	(26 251)	(106)
– Other	(4 638)	(1 153)	(3 485)	(302)
Core net loss from continuing operations	(73 294)	(36 563)	(36 731)	(100)
– Equity holders of the parent	(50 685)	(20 943)	(29 742)	(142)
– Non-controlling interests	(22 609)	(15 620)	6 989	45
Core net loss from discontinued operations	–	(15 455)	15 455	100
– Equity holders of the parent	–	(5 493)	5 493	100
– Non-controlling interests	–	(9 962)	9 962	100

Historically revenue and gross profit was generated by SharedPhone International, which was disposed of in January 2012.

Negative EBITDA of R31 million was predominantly related to the costs incurred on the ongoing litigation pertaining to Africa Prepaid Services Nigeria (APSN).

The losses in the comparative year from discontinued operations pertained to the winding down of APSN.

The Group's objective in the international segment is to partner with local management in the countries in which it operates. These partnerships result in its international operations being equity accounted for. The Group's current active international operations, namely, Ukash, Oxigen Services India and Blue Label Mexico are disclosed accordingly under share of losses from associates and joint ventures.

Financial Director's report continued

Share of these net losses comprised the following:

Ukash

The Group's share of profits in Ukash, after the amortisation of intangible assets, increased by 227% to R7.3 million. These results were achieved through organic growth in revenue by 32%, an increase in gross profit by 39% and EBITDA growth of 66%, all reported in its local currency.

Oxygen Services India

Oxygen Services India's revenue increased by R470 million (18%) to R3 billion and gross profit increased by R10 million, both reported on in South African rand.

Operating expenses increased by R7.7 million (16%), resulting in a decline in EBITDA by R2.4 million to R11.7 million. The increase in operating expenses was largely due to the necessity to recruit 200 field sales executives, who were hired and trained during the current year in order to enable the Company to reach the expansive rural and urban areas in the Indian market place. Further expenditure was incurred on the costs of the migration of PSTN to GPRS, affording wireless portable devices the capability of catering for more products at lower operating costs per terminal, as well as on the migration of the entire OSI platform to the new "Oxiseure" platform. The implementation of the Mobicash wallet with the State Bank of India to facilitate money transfers and the launching of an interbank mobile payment system together with the National Payment Corporation of India to enable money transfers by the unbanked, utilising the "Oxicash" Wallet, also necessitated additional operating expenses.

After accounting for depreciation of R10 million, NPAT declined from R4.9 million to R1.3 million. The Group's share of profits of R0.7 million equated to a decline on the prior year by R2.2 million. Amortisation of intangibles amounting to R1.3 million resulted in a net share of losses of R0.6 million. In the comparative year, the Group's share of profit, after the amortisation of intangibles, amounted to R4.6 million inclusive of a consolidation adjustment of R2.9 million. This adjustment had no impact on the trading performance of Oxigen Services India during that year.

Blue Label Mexico

In the comparative year, Blue Label Mexico (BLM) incurred losses of R60 million after the amortisation of intangible assets, of which the Group's 40% share equated to R24.9 million. In spite of revenue growth of 103% in the current year, losses in BLM escalated to R113 million, of which the Group's share equated to R51.1 million.

The increase in losses was attributable to margin compression and a significant increase in overheads. Furthermore, the Group increased its shareholding from 40% to 45% during the course of the financial year and in turn the Group assumed an additional 5% share of these losses.

The decline in gross profit margins was attributable to a reduction in discounts afforded by Telcel, Mexico's predominant network operator, which controls approximately 70% of the Mexican market. Telcel, however, would reinstate the previous margins afforded to BLM, plus additional discounts, on the proviso that



Financial Director's report continued

BLM would contractually agree to become an exclusive distributor on their behalf. Accordingly, a contract was concluded between BLM and Telcel on 1 April 2013 giving effect to this new arrangement.

The increase in overheads was congruent with BLM's strategy to gear-up as a national distributor. This process also required the procurement of additional point-of-sale devices in

anticipation of a national roll out. This in turn had a negative impact on depreciation by 58% in local currency, which equated to 78% on conversion to rand.

Although the above initiatives proved costly, during the current year, BLM is now positioned to roll out nationally, offering more favourable discounts, with a solid foundation in place to support national distribution.

MOBILE

	2013 R'000	2012 R'000	Growth R'000	% growth
Revenue	151 420	87 244	64 176	74
Gross profit	95 134	66 059	29 075	44
EBITDA	37 055	97 359	(60 304)	(62)
Core net profit/(loss)	24 787	73 962	(49 175)	(66)

This segment comprises Cellfind, Blue Label One, Content Connect Africa, Blue Label Engage and Panacea Mobile. Content Connect Africa was disposed of in September 2012 and Panacea Mobile and Blue Label Engage were acquired during the current year.

The growth in revenue by 74% to R151 million was mainly attributable to the introduction of bulk SMS facilitation by Cellfind and Panacea

Mobile. This resulted in the commensurate growth in gross profit by 44% to R95 million.

EBITDA for the comparative year included the once-off income receipt of R79.4 million. On exclusion of this receipt, EBITDA increased by R19 million (106%) to R37 million. On the same basis core net profit increased by R19 million after taxation thereon.

SOLUTIONS

	2013 R'000	2012 R'000	Growth R'000	% growth
Revenue	120 710	171 029	(50 319)	(29)
Gross profit	54 364	79 505	(25 141)	(32)
EBITDA	24 703	38 927	(14 224)	(37)
Core net profit	13 190	21 324	(8 134)	(38)

Financial Director's report continued

The Solutions segment houses Blue Label Data Solutions (BLDS), Velociti and CNS Call Centre.

BLDS, which markets data and analytical products and services increased its revenue by R10 million (19%) and gross profit by R4 million (12%), resulting in a contribution of R19 million towards Group core net profit. This positive

contribution was negated by core net losses of R8 million incurred by Velociti.

Velociti's losses were incurred as a result of a significant decline in outbound campaigns. It is the intention to increase the volume of inbound activity in order to compensate for outbound declines.

CORPORATE

	2013 R'000	2012 R'000	Growth R'000	% growth
EBITDA	(113 575)	(107 391)	(6 184)	(6)
Core net loss	(120 542)	(126 183)	5 641	4

The increase in negative EBITDA was attributable to a loan impairment of R6.3 million. The decline in core net loss was mainly due to the change in legislation applicable to secondary tax on companies (STC). No STC was payable on the dividends declared in the current year, whereas STC on dividends declared in the comparative year amounted to R11 million.

Statement of financial position

Total assets increased by R785 million, of which R347 million was attributable to growth in non-current assets and R438 million in current assets.

The movement of intangible assets and goodwill by R200 million related to acquisitions to the extent of R33 million, the cost of annuity driven starter pack and post paid bases totalling R264 million, less disposals and amortisation of R18 million and R79 million respectively.

The increase in investment in associates and joint ventures totalling R167 million was due to further investment into Blue Label Mexico of R110 million, the impact of foreign currency translation reserves of R80 million, set off by net losses of R47 million incurred by these companies.

The movement in current assets by R438 million was mainly due to an increase in inventories by R1.3 billion which was attributable to bulk purchase transactions, causing a decline in cash resources by R1 billion. Although the stock turn consequently increased from an historical average of 11 days to 38 days, the discount afforded thereon justified the excess in inventory holding.

Accounts receivable increased by R152 million, maintaining the debtors collection period at 27 days.



Financial Director's report continued

The net profit of R425 million less a dividend of R155 million and a movement of R88 million in foreign exchange translation reserves were the main contributors to the growth in capital and reserves.

Trade and other payables increased by R462 million with average creditors days increasing from 37 days to 46 days.

Statement of cash flows

Cash flows of R432 million were generated from operating activities before accounting for the movement in inventory and accounts payable directly attributable to bulk purchasing transactions. There was a negative generation of cash flow of R440 million after accounting for the bulk purchase transactions.

A further R406 million was applied to investing activities, of which R110 million related to an additional investment in BLM, R264 million to the acquisition of the annuity bases, R26 million to capital expenditure and R3 million to acquisitions.

After the payment of dividends of R159 million to shareholders and non-controlling interest and the acquisition of treasury shares for R17 million, the cash on hand at year-end amounted to R941 million.

Forfeitable share scheme

Forfeitable shares totalling 3 496 103 (2012: 4 828 644) were issued to qualifying employees. During the year 1 285 962 (2012: 1 067 904) shares were forfeited and 2 700 513 (2012: 3 11 637) shares vested.

Dividend No 4

The Group's current dividend policy is to declare an annual dividend. On 18 August 2013, the Board approved and declared a gross ordinary dividend (number 4) of 25 cents per ordinary share (21.25 cents per ordinary share net of

dividend withholding tax) for the year ended 31 May 2013. This dividend of R168 627 261, inclusive of withholding tax, equates to a 2.52 cover on headline earnings. The dividend for the year ended 31 May 2013 has not been recognised in the financial statements as it was declared after this date.

Litigation update

Further to the litigation update as disclosed in note 36 to the Group annual financial statements, subsequent events post this disclosure with regard to the Multi-Links litigation took place.

On 6 September 2013 Telkom and MLT obtained an order from the High Court which has the effect of preventing the arbitrators from determining whether the agreement is valid and enforceable. ASPN has decided not to appeal against the order and has agreed to submit itself to the jurisdiction of the High Court for the purposes of defending the allegations made against it, Blue Label and the other defendants and for the purpose of proceeding with its claim against MLT for payment of the sum of US\$457 million arising out of MLT's wrongful repudiation of the agreement.

Blue Label and the other defendants in the action vehemently deny the allegation made against them by Telkom and MLT and are of the view that the agreement will be found to be valid and enforceable.

Appreciation

I once again wish to express my appreciation to the Group's finance teams for their professional input in the preparation of the financial results.

David Rivkind
Financial Director

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Prominent notice

These annual financial statements have been audited by our external auditor PricewaterhouseCoopers Incorporated in compliance with the applicable requirements of the Companies Act, No 71 of 2008. David Rivkind, financial director, supervised the preparation of the annual financial statements.



DB Rivkind CA(SA)
Financial Director



Statement of directors' responsibility

The directors are responsible for the maintenance of adequate accounting records and the preparation, integrity and fair presentation of the Group and Company financial statements of Blue Label Telecoms Limited. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

The directors consider that having applied IFRS in preparing the Group and Company financial statements they have selected the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all IFRS statements that they consider to be applicable have been followed.

The directors are satisfied that the information contained in the Group and Company financial statements fairly presents the results of operations for the year and the financial position of the Group at year end. The directors also prepared the other information included in the integrated report and are responsible for both its accuracy and its consistency with the financial statements.

In addition, the directors are responsible for the Company's system of internal financial control. This is designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of the assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The Group and Company financial statements have been prepared on the going-concern basis, since the directors have every reason to believe that the Group and Company have adequate resources in place to continue in operation for the foreseeable future, based on forecasts and available cash resources. These Group and Company financial statements support the viability of the Company and the Group.

The Group and Company financial statements have been audited by the independent auditors, PricewaterhouseCoopers Inc., which was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

Approval of the financial statements

The financial statements which appear on pages 106 to 247 were produced and approved by the board of directors on 18 August 2013 and are signed on their behalf by:

LM Nestadt
Non-Executive Chairman

DB Rivkind
Financial Director

BM Levy
Joint Chief Executive Officer

MS Levy
Joint Chief Executive Officer

Declaration by Company secretary

In terms of section 88(2)(e) of the Companies Act, No 71 of 2008 (the Act), I confirm that for the year ended 31 May 2013, Blue Label Telecoms Limited has lodged with the Companies and Intellectual Property Commission all such returns and notices as are required of a public company in terms of the Act and that all such returns and notices are true, correct and up to date.



J van Eden
Company secretary

Sandton
18 August 2013



Directors' report

The directors have pleasure in presenting the Group and Company annual financial statements of Blue Label Telecoms Limited (Blue Label Telecoms or the Company) and its subsidiary, associate and joint venture companies (the Group) for the year ended 31 May 2013.

Principal activities and strategy

Blue Label Telecoms' core business is the virtual distribution of secure electronic tokens of value and transactional services across its global footprint of touch points. The Group's stated strategy is to extend its global footprint of touch points, both organically and acquisitively, to meet the significant demand for the delivery of multiple prepaid products and services through a single distributor, across various delivery mechanisms and via numerous merchants or vendors.

Financial results

The Group recorded a net profit after tax from continuing operations attributable to equity holders for the year ended 31 May 2013 of R425 million (2012: R444 million). The comparative year results included a once-off income receipt of R79.4 million. On exclusion of this receipt the net profit after tax from continued operations attributable to equity holders for that year would have equated to R375 million. Full details of the financial position and results of the Company, the Group and its segments are set out in the annual financial statements and Group annual financial statements. The Group and Company annual financial statements for the year ended 31 May 2013 were approved by the board and signed on its behalf on 18 August 2013.

Going concern

The financial statements have been prepared on the going concern basis, since the directors have every reason to believe that the Blue Label Telecoms Company and the Group have adequate resources in place to continue in operation for the foreseeable future.

Disposals

On 1 August 2013 Blue Label Data Solutions Proprietary Limited sold its 26% shareholding in the issued share capital of Betterquote Proprietary Limited to Bettersure Proprietary Limited.

On 11 September 2012 Blue Label Telecoms Limited disposed of 100% of Content Connect Africa Proprietary Limited to Metastar Trading Proprietary Limited for R2 million. For further details on the disposal during the year, refer to note 27 to the Group annual financial statements.

On 1 January 2013 The Prepaid Company Proprietary Limited sold 100% of the issued share capital of Multiserv Proprietary Limited to Guinea Fowl Mews 8 Proprietary Limited for a purchase consideration of R10.3 million. For further details on the disposal during the year, refer to note 27 of the Group annual financial statements.

On 1 May 2013 The Prepaid Company Proprietary Limited sold its 51% in the issued share capital of Bela Phone Company Proprietary Limited to Universal Phone Company Proprietary Limited for a purchase consideration of R51.

Directors' report continued

Acquisitions

On 13 July 2012 Blue Label Telecoms Limited acquired the remaining 25% of The Post Paid Company Proprietary Limited for a purchase consideration of R25, bringing its holding to 100%. Refer to note 28.2 of the Group annual financial statements for further details.

On 1 September 2012 Blue Label Telecoms Limited acquired a further 5% of Blue Label Mexico S.A. de C.V. for a purchase consideration of R21.1 million, bringing its holding to 45%. Refer to note 6 of the Group annual financial statements for further details.

On 1 September 2012 Blue Label Telecoms Limited acquired 51% of Blue Label Engage Proprietary Limited for a purchase consideration of R2.4 million plus an amount arrived at by multiplying the amount by which the headline earnings of Blue Label Engage Proprietary Limited in its 2013 financial year exceeds R600 000 by four capped at a further R2.6 million. Refer to note 28.1 of the Group annual financial statements.

On 1 September 2012 Blue Label Telecoms acquired 51% of the issued share capital of Panacea Mobile Proprietary Limited for a purchase consideration of R7.5 million plus an additional amount of R1.5 million if the net profit after tax for Panacea Mobile Proprietary Limited's 2013 financial year is no less than R4.2 million. To the extent that the net profit after tax for the 2013 financial year is less, the R1.5 million will be pro-rated accordingly. An additional amount of up to R1.5 million (payable over 10 equal periods, capped at R150 000 per period), based on the achievement of certain criteria in respect of a customer contract being achieved by Panacea Mobile Proprietary Limited. Refer to note 28.1 of the Group annual financial statements.

On 1 January 2013 The Prepaid Company Proprietary Limited acquired the right to receive all revenue accruing to a post paid cellular base from 1 January 2013 onwards for a purchase consideration of R108 million. Refer to note 5 of the Group annual financial statements.

On 15 January 2013 The Prepaid Company Proprietary Limited acquired the right to receive all revenue accruing to a prepaid cellular base from 1 December 2012 for a purchase consideration of R40 million. Refer to note 5 of the Group annual financial statements.

On 15 March 2013 The Prepaid Company Proprietary Limited acquired the right to receive all revenue accruing to a prepaid cellular base from 1 February 2013 onwards for a purchase consideration of R35 million. Refer to note 5 of the Group annual financial statements.

On 20 March 2013 The Prepaid Company Proprietary Limited acquired the right to receive all revenue accruing to a prepaid cellular base from 1 January 2013 onwards for a purchase consideration of R81 million. Refer to note 5 of the Group annual financial statements.

On 28 January 2013 Blue Label Telecoms Limited acquired 24.01% of the issued share capital of Africa Prepaid Services Nigeria Limited from Citadella Holdings Corp for a purchase consideration of R14 million.

On 5 April 2013 Blue Label Telecoms acquired 60% of the shares in the ticketing company TicketPros Proprietary Limited for a purchase consideration of R10 million. Refer to note 28.1 of the Group annual financial statements.



Directors' report continued

Share capital

Full details of the authorised, issued and unissued capital of the Company at 31 May 2013 are contained in note 15 of the Group annual financial statements. There were no shares issued during the financial year ended 31 May 2013 (2012: nil).

The directors of the Company have unrestricted authority until the following annual general meeting to allot and issue, as they in their discretion deem fit, the unissued ordinary shares of the Company as at 31 May 2012, subject to the provisions of the memorandum of incorporation of the Company, the Companies Act and the Listings Requirements.

Subsequent events

Subsequent to year end a dividend was declared.

On 1 June 2013 Blue Label Telecoms acquired the remaining 49% of the issued share capital of Panacea Mobile Proprietary Limited and the remaining 40% of the issued share capital of TicketPros Proprietary Limited for a purchase consideration of R11.5 million and R4.7 million respectively.

In June 2013, the Group secured a distribution agreement with a leading reseller at a purchase price of R84 million. This is expected to further enhance the Group's prominence in the distribution of prepaid services.

Dividend

On 18 August 2013, the board approved a dividend of 25 cents per ordinary share. The dividend in respect of ordinary shares for the year ended 31 May 2013 of R168 627 261 has not been recognised in the financial statements as it was declared after this date. The salient dates are as follows:

Last date to trade <i>cum</i> dividend	Friday, 6 September 2013
Shares commence trading <i>ex</i> dividend	Monday, 9 September 2013
Record date	Friday, 13 September 2013
Payment of dividend	Monday, 16 September 2013

Share certificates may be dematerialised or rematerialised between Monday, 9 September 2013 and Friday, 13 September 2013, both days inclusive.

Before declaring the final dividend the board applied the solvency and liquidity test on the Company and reasonably concluded that the Company will satisfy the solvency and liquidity test immediately after payment of the final dividend. The final dividend will be paid 28 days after the directors have performed the solvency and liquidity testing.

Dividends tax is provided for at 15% of the amount of any dividend paid by Blue Label Telecoms, subject to certain exemptions. The Dividends Tax is a tax borne by the beneficial owner of the dividend and will be withheld by either the issuer of the dividend or by regulated intermediaries.

Directors' report continued

Directorate

The following were directors of the Company for the year under review:

Name	Office	Appointment date	Date and nature of change
Larry M Nestadt	Independent non-executive director	5 October 2007	—
Brett M Levy	Joint chief executive officer	1 February 2007	—
Mark S Levy	Joint chief executive officer	1 February 2007	—
Kevin M Ellerine	Non-executive director	8 December 2009	—
Gary D Harlow	Independent non-executive director	5 October 2007	—
Neil N Lazarus SC	Non-executive director	5 October 2007	—
Joe S Mthimunya	Independent non-executive director	5 October 2007	—
Mark V Pamensky	Chief operating officer	5 October 2007	—
David B Rivkind	Financial director	5 October 2007	—
Jeremiah S Vilakazi	Independent non-executive director	19 October 2011	—

Prescribed officer

DA Suntup is a prescribed officer of the Company.

Directors' and prescribed officer's interests

The individual interests declared by directors and officers in the Company's share capital as at 31 May 2013, held directly or indirectly were as follows:

Director/officer	Nature of interest			
	Direct beneficial		Indirect beneficial	
	2013	2012	2013	2012
BM Levy	74 644 607	74 340 553	8 272 778	8 272 778
MS Levy	67 237 199	66 933 145	8 272 777	8 272 777
KM Ellerine	—	—	296 297	296 297
JS Mthimunya	30 000	20 000	—	—
MV Pamensky	—	—	5 565 738	5 565 738
LM Nestadt	—	—	8 204 674	8 204 674
GD Harlow	—	—	2 400 000	2 000 000
NN Lazarus	4 803 424	4 803 424	—	—
DB Rivkind	—	—	3 700 000	3 700 000
DA Suntup	—	—	3 700 000	3 700 000
JS Vilakazi	—	—	—	—



Directors' report continued

The aggregate interest of the current directors and officers in the capital of the Company was as follows:

	Number of shares	
	2013	2012
Beneficial	187 127 494	186 109 386

The beneficial interest held by directors and officers of the Company constitutes 28.28% (2012: 28.13%) of the issued share capital of the Company.

Details of directors' and prescribed officer emoluments and equity compensation benefits are set out in note 31 of the Group annual financial statements and details of the forfeitable share plan are set out in note 33.

Resolutions

On 29 November 2012 the Company passed and filed with the Companies and Intellectual Property Commission the following special resolutions:

- Approving the remuneration of non-executive directors.
- Granting a general authority to repurchase the Company's shares.
- Renewal of the authority that unissued shares be placed under the control of the director.
- Approval for the Company to grant financial assistance in terms of sections 44 and 45 of the Companies Act.
- Adoption of a new memorandum of incorporation.

Special resolutions passed by subsidiary companies comprised of approval to grant financial assistance in terms of section 44 and 45 of the Companies Act and the adoption of a new memorandum of incorporation.

Except for the aforementioned, no other special resolutions, the nature of which might be significant to shareholders in their appreciation of the state of affairs of the Group, were passed by the Company or its subsidiaries during the period covered at the date of signing these Group and Company annual financial statements.

Company secretary

Ms E Viljoen resigned as Company secretary with effect from 30 April 2013. Ms J van Eden was appointed Company secretary with effect from 1 June 2013.

The board is satisfied that Ms van Eden has the requisite knowledge and experience to carry out the duties of a Company secretary of a public company in accordance with section 88 of the Act and is not disqualified to act as such. She is not a director of the board and maintains an arms-length relationship with the board.

The business and postal address of the Company secretary appear on the Company's website.

American depository receipt facility

A sponsored American depository receipt facility has been established. The facility is sponsored by the Bank of New York and details of the administrators are reflected on the Company's website.

Auditors

PricewaterhouseCoopers Inc. will continue in office in accordance with section 90(6) of the Companies Act.

Larry Nestadt
Chairman

Independent auditor's report to the shareholders of Blue Label Telecoms Limited

We have audited the Group financial statements and separate financial statements of Blue Label Telecoms Limited set out on pages 106 to 247, which comprise the statements of financial position as at 31 May 2013, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Blue Label Telecoms Limited as at 31 May 2013, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.



Independent auditor's report to the shareholders of Blue Label Telecoms Limited continued

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 31 May 2013, we have read the directors' report, the Audit, Risk and Compliance Committee's report and the declaration by the Company secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc.

Director: EJ Gerryts
Registered Auditor

Johannesburg
19 August 2013

Group statement of financial position

As at 31 May 2013

	Note	2013 R'000	2012 R'000
Assets			
Non-current assets		1 340 410	993 076
Property, plant and equipment	4	88 125	112 188
Intangible assets	5	488 383	292 200
Goodwill	5	217 635	213 498
Investments in associates and joint ventures	6	524 162	357 471
Loans receivable	7	1 000	1 435
Starter pack assets	8	2 573	4 501
Deferred taxation assets	9	18 532	11 783
Current assets		4 380 137	3 942 456
Financial assets at fair value through profit and loss	10	—	—
Starter pack assets	8	1 115	3 191
Inventories	11	1 858 511	539 221
Loans receivable	7	36 431	30 049
Trade and other receivables	12	1 539 365	1 387 650
Current tax assets		3 433	7 103
Cash and cash equivalents	13	941 282	1 975 242
Total assets		5 720 547	4 935 532



Group statement of financial position continued

As at 31 May 2013

	Note	2013 R'000	2012 R'000
Equity and liabilities			
Capital and reserves		3 242 853	2 914 386
Share capital	15	*	*
Share premium		4 012 359	4 012 359
Treasury shares		(72 468)	(71 043)
Restructuring reserve		(1 843 912)	(1 843 912)
Foreign currency translation reserve		102 989	15 389
Non-distributable reserve		10 150	10 150
Transaction with non-controlling interest reserve		(931 125)	(909 572)
Equity compensation benefit reserve		38 204	37 623
Share-based payment reserve		1 292	1 292
Retained earnings		1 941 082	1 671 378
		3 258 571	2 923 664
Non-controlling interest		(15 718)	(9 278)
Non-current liabilities		11 942	50 624
Deferred taxation	9	11 942	21 598
Trade and other payables	17	—	29 026
Current liabilities		2 465 752	1 970 522
Trade and other payables	17	2 393 222	1 931 204
Provision	18	19 029	6 260
Current tax liabilities		39 504	21 041
Non-interest-bearing borrowings	16	12 017	12 017
Current portion of interest-bearing borrowings	16	1 980	—
Total equity and liabilities		5 720 547	4 935 532

* Less than R1 000.

Group statement of comprehensive income

For the year ended 31 May 2013

	Note	2013 R'000	2012 R'000
Continuing operations			
Revenue	19	18 984 210	18 715 390
Other income		16 137	97 412
Changes in inventories of finished goods		(17 712 965)	(17 507 468)
Employee compensation and benefit expense	20	(332 901)	(327 830)
Depreciation, amortisation and impairment charges		(67 951)	(91 557)
Other expenses		(240 859)	(227 022)
Operating profit	21	645 671	658 925
Finance costs	22	(167 096)	(181 081)
Finance income	22	173 260	170 995
Share of losses from associates and joint ventures	6	(47 326)	(19 835)
Net profit before taxation		604 509	629 004
Taxation	23	(196 404)	(194 075)
Net profit for the year from continuing operations		408 105	434 929
Discontinued operations			
Net loss for the year from discontinued operations	14	—	(15 455)
Net profit for the year		408 105	419 474
Other comprehensive income:			
Exchange profit on translation of equity loans*		—	5 395
Exchange profit on translation of foreign operations*		87 888	36 058
Other comprehensive profit for the year, net of tax		87 888	41 453
Total comprehensive income for the year		495 993	460 927

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



Group statement of comprehensive income continued

For the year ended 31 May 2013

	Note	2013 R'000	2012 R'000
Net profit for the year attributable to:			
Equity holders of the parent		424 841	438 104
Non-controlling interest		(16 736)	(18 630)
Net profit for the year from continuing operations attributable to:			
Equity holders of the parent		424 841	443 597
Non-controlling interest		(16 736)	(8 668)
Net loss for the year from discontinued operations attributable to:			
Equity holders of the parent		—	(5 493)
Non-controlling interest		—	(9 962)
Total comprehensive income for the year attributable to:			
Equity holders of the parent		512 441	477 244
Non-controlling interest		(16 448)	(16 317)
Earnings per share for profit attributable to:			
Equity holders (cents)			
– Basic	24	64.22	61.87
– From continuing operations		64.22	62.65
– From discontinued operations		—	(0.78)
– Diluted	24	63.19	60.97
– From continuing operations		63.19	61.74
– From discontinued operations		—	(0.78)

Group statement of changes in equity

For the year ended 31 May 2013

	Note	Share capital R'000	Share premium R'000	Treasury shares R'000	Retained earnings R'000
Balance as at 31 May 2011		* 4 404 737	(56 506)	1 340 318	
Net profit for the year		—	—	—	438 104
Comprehensive profit		—	—	—	—
Total comprehensive income		—	—	—	438 104
Treasury shares purchased	15	—	—	(16 095)	—
Shares acquired	15	—	(392 378)	—	—
Equity compensation benefit scheme shares vested		—	—	1 558	—
Equity compensation benefit movement		—	—	—	—
Share of equity movement in associates		—	—	—	—
Dividends		—	—	—	(107 044)
Transaction with non-controlling interest reserve movement		—	—	—	—
Non-controlling interest disposed of during the year	27	—	—	—	—
Balance as at 31 May 2012		* 4 012 359	(71 043)	1 671 378	
Net profit for the year		—	—	—	424 841
Comprehensive profit		—	—	—	—
Total comprehensive income		—	—	—	424 841
Treasury shares purchased	15	—	—	(17 223)	—
Equity compensation benefit scheme shares vested		—	—	15 798	—
Equity compensation benefit movement		—	—	—	—
Share of equity movement in associates		—	—	—	—
Dividends		—	—	—	(155 137)
Transaction with non-controlling interest reserve movement	28.2	—	—	—	—
Non-controlling interest acquired during the year	28.1	—	—	—	—
Balance as at 31 May 2013		* 4 012 359	(72 468)	1 941 082	

* Less than R1 000.

¹ The restructuring reserve arose as a result of the restatement of Group comparatives, as required in terms of the principles of predecessor accounting. This reserve represents the difference between the fair value of the entities under the Group's control and their respective net asset values, as at the assumed restructure date of 1 June 2006.

² The non-distributable reserve arose as a result of BLT's share of share premium issued by associate companies pre-2010.

³ The transaction with non-controlling interest reserve relates to the excess payments over the carrying amounts arising on transactions with non-controlling shareholders as these are treated as equity participants. (Refer to note 28.2.)

⁴ This relates to the Group's movement in equity compensation benefit (refer to note 33) as well as the Group's share of the movement in equity compensation benefit of associate companies. (Refer to note 6.)

⁵ The share-based payment reserve relates to a BEE transaction concluded by Cigicell Proprietary Limited, a subsidiary of Blue Label Telecoms. In September 2009 Ventury Proprietary Limited sold 26% of its stake in Cigicell Proprietary Limited to Sangnilor Proprietary Limited. The Group has not recognised this disposal and accounts for Cigicell Proprietary Limited as a wholly owned subsidiary until the purchase consideration has been settled by Sangnilor Proprietary Limited. The purchase consideration will be settled through the declaration of dividends by Cigicell Proprietary Limited. There are no specified dates for this.



Group statement of changes in equity continued

For the year ended 31 May 2013

Restructuring reserve ¹ R'000	Foreign currency translation reserve R'000	Non-distributable reserve ² R'000	Transaction with non-controlling interest reserve ³ R'000	Employee compensation benefit reserve ⁴ R'000	Share-based payment reserve ⁵ R'000	Total ordinary shareholders' equity R'000	Non-controlling interest R'000	Total equity R'000
(1 843 912)	(23 751)	10 150	(909 006)	17 807	1 292	2 941 129	14 234	2 955 363
—	—	—	—	—	—	438 104	(18 630)	419 474
—	39 140	—	—	—	—	39 140	2 313	41 453
—	39 140	—	—	—	—	477 244	(16 317)	460 927
—	—	—	—	—	—	(16 095)	—	(16 095)
—	—	—	—	—	—	(392 378)	—	(392 378)
—	—	—	—	(1 517)	—	41	(41)	—
—	—	—	—	21 929	—	21 929	197	22 126
—	—	—	—	(596)	—	(596)	—	(596)
—	—	—	—	—	—	(107 044)	(2 945)	(109 989)
—	—	—	(566)	—	—	(566)	—	(566)
—	—	—	—	—	—	—	(4 406)	(4 406)
(1 843 912)	15 389	10 150	(909 572)	37 623	1 292	2 923 664	(9 278)	2 914 386
—	—	—	—	—	—	424 841	(16 736)	408 105
—	87 600	—	—	—	—	87 600	288	87 888
—	87 600	—	—	—	—	512 441	(16 448)	495 993
—	—	—	—	—	—	(17 223)	—	(17 223)
—	—	—	—	(15 559)	—	239	(239)	—
—	—	—	—	16 063	—	16 063	117	16 180
—	—	—	—	77	—	77	—	77
—	—	—	—	—	—	(155 137)	(3 515)	(158 652)
—	—	—	(21 553)	—	—	(21 553)	7 553	(14 000)
—	—	—	—	—	—	—	6 092	6 092
(1 843 912)	102 989	10 150	(931 125)	38 204	1 292	3 258 571	(15 718)	3 242 853

Group statement of cash flows

For the year ended 31 May 2013

	Note	2013 R'000	2012 R'000
Cash flows from operating activities			
Cash received from customers		18 832 495	18 249 024
Cash paid to suppliers and employees		(19 089 879)	(17 592 595)
Cash (utilised)/generated by operations	25	(257 384)	656 429
Interest received	22	35 806	59 730
Interest paid	22	(23 709)	(3 307)
Taxation paid	26	(194 507)	(184 743)
Net cash flows from operating activities		(439 794)	528 109
Cash flows from investing activities			
Acquisition of intangible assets		(272 141)	(134 955)
Proceeds on disposal of intangible assets		70	—
Disposal of subsidiaries net of cash disposed	27	255	2 501
Acquisition of subsidiaries net of cash acquired	28.1	(2 770)	(13 262)
Acquisition of joint venture	6	(110 345)	—
Loans advanced to associates and joint ventures		(593)	(104 517)
Loans repaid by associates and joint ventures		—	1 228
Loans granted		(6 433)	(6 246)
Loans receivable repaid		137	2 442
Dividends received from associates and joint ventures		750	453
Proceeds on disposal of property, plant and equipment		4 198	4 895
Acquisition of property, plant and equipment		(19 464)	(29 530)
Net cash flows from investing activities		(406 336)	(276 991)
Cash flows from financing activities			
Interest-bearing borrowings repaid		—	(4 022)
Interest-bearing borrowings raised		1 809	2 500
Acquisition of non-controlling interest	28.2	(14 000)	—
Acquisition of shares		—	(392 378)
Acquisition of treasury shares		(17 223)	(16 095)
Dividends paid to non-controlling interest		(3 515)	(2 945)
Dividends paid		(155 137)	(107 044)
Net cash flows from financing activities		(188 066)	(519 984)
Decrease in cash and cash equivalents		(1 034 196)	(268 866)
Cash and cash equivalents at the beginning of the year		1 975 242	2 226 170
Translation difference		236	17 938
Cash and cash equivalents at the end of the year	13	941 282	1 975 242



Notes to the Group annual financial statements

For the year ended 31 May 2013

Blue Label Telecoms Limited (the Company) and its subsidiaries, joint ventures and associates (together referred to as the Group) are involved in the procurement, selling and distribution of prepaid products for, inter alia, fixed and mobile networks and all business ancillary thereto.

The annual financial statements comprise the consolidated financial statements of the Group and the stand-alone financial statements of the Company and were authorised by the board of directors, as indicated on page 97.

1. Significant accounting policies

Statement of compliance

The principal accounting policies applied in the preparation of these Group annual financial statements are set out below in the related notes and are consistent with those adopted in the prior year, unless otherwise specified.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council and the South African Companies Act No. 71 of 2008.

The term IFRS includes International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC). The standards referred to are set by the International Accounting Standards Board (IASB).

Basis of preparation

The annual financial statements and Group financial statements are prepared under the historical cost convention, except for certain financial and equity instruments which have been measured at fair value. Amounts are rounded to the nearest thousand with the exception of earnings per share, ordinary share capital and equity compensation benefit. The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

Going concern

The Group and Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group and Company should be able to operate within its current funding levels.

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

1. Significant accounting policies (continued)

Going concern (continued)

After making enquiries, the directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. The Group and Company therefore continue to adopt the going-concern basis in preparing the financial statements.

Standards, interpretations and amendments effective in 2013

The following standards, interpretations and amendments are effective for the first time for the year ended 31 May 2013 and have not had an impact on the Group's financial statements:

- Amendment to IAS 12 – *Income taxes – deferred tax*.

Standards, amendments and interpretations not yet effective

The Group has evaluated the effect of all new standards, amendments and interpretations that have been issued but which are not yet effective. Based on the evaluation, management does not expect these standards, amendments and interpretations to have a significant impact on the Group's results and disclosures. The expected implications of applicable standards, amendments and interpretations are dealt with below.

Amendment to IAS 1 – Presentation of items of other comprehensive income (OCI)

This amendment requires entities to separate items presented in OCI into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled, such as revaluation gains on property, plant and equipment, will be presented separately from items that may be recycled in the future, such as deferred gains and losses on cash flow hedges. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.

The amendment is effective for annual periods beginning on or after 1 July 2012.

The Group will evaluate the amended presentation and update disclosure accordingly from the effective date.

Amendment to IFRS 1 – First-time adoption on government loans

This amendment addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRS. It also adds an exception to the retrospective application of IFRS, which provides the same relief to first-time adopters granted to existing preparers of IFRS financial statements when the requirement was incorporated into IAS 20 in 2008.

This amendment is effective on 1 January 2013 and is not applicable to the Group.

Amendment to IFRS 7 – Financial Instruments: Disclosures – Asset and Liability offsetting

The IASB has published an amendment to IFRS 7 – *Financial Instruments: Disclosures*, reflecting the joint requirements with the FASB to enhance current offsetting disclosures.

These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

This statement is effective for periods beginning on or after 1 January 2013. The Group is currently considering the impact on the consolidated financial statements, however does not believe the amendment will have a significant impact.



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

1. Significant accounting policies (continued)

Standards, amendments and interpretations not yet effective (continued)

Amendment to IAS 19 – Employee benefits

This amendment makes significant changes to the recognition and measurement of the defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The amendment could significantly change a number of performance indicators and might also significantly increase the volume of disclosures.

Amendment is effective for periods beginning on or after 1 January 2013. The Group does not believe the statement will have a significant impact on the Group as the Group currently has no defined benefit pension plans and termination benefits. The Group will evaluate and update disclosures for all employee benefits accordingly from the effective date.

IFRS 9 – Financial Instruments (2009)

This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.

This statement is effective on 1 January 2015. The Group is currently considering the impact on the classification of financial assets, however do not believe the statement will have a significant impact, given the nature of the financial assets held by the Group.

IFRS 9 – Financial Instruments (2010)

The IASB has updated IFRS 9 – *Financial instruments*, to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, *Financial instruments: Recognition and measurement*, without change, except for financial liabilities that are designated at fair value through profit or loss.

This statement is effective on 1 January 2015. The Group is currently considering the impact on the derecognition of financial liabilities, however do not believe the statement will have a significant impact, given the nature of the financial liabilities held by the Group.

Amendments to IFRS 9 – Financial Instruments (2011)

The IASB has published an amendment to IFRS 9 – *Financial Instruments*, that delays the effective date to annual periods beginning on or after 1 January 2015. The original effective date was for annual periods beginning on or after from 1 January 2013. This amendment is a result of the board extending its timeline for completing the remaining phases of its project to replace IAS 39 (for example, impairment and hedge accounting) beyond June 2011, as well as the delay in the insurance project. The amendment confirms the importance of allowing entities to apply the requirements of all the phases of the project to replace IAS 39 at the same time. The requirement to restate comparatives and the disclosures required on transition have also been modified.

This amendment has delayed the implementation of the standard from 1 January 2013 to 1 January 2015. The impact on the Group is stated above.

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

1. Significant accounting policies (continued)

Standards, amendments and interpretations not yet effective (continued)

IFRS 10 – Consolidated financial statements

This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard might impact the entities that a Group consolidates as its subsidiaries.

This statement is effective on 1 January 2013. The Group is currently considering the impact on the consolidated financial statements, however does not believe the statement will have a significant impact.

IFRS 11 – Joint arrangements

This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportionate consolidation of joint ventures is no longer allowed.

This statement is effective on 1 January 2013. The Group does not believe the statement will have a significant impact as the proportionate consolidation method of accounting for joint ventures is not applied by the Group. The Group is currently considering the impact on its contractual arrangements.

IFRS 12 – Disclosures of interests in other entities

This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles.

This statement is effective on 1 January 2013. The Group is currently considering the impact on the consolidated financial statements, however does not believe the statement will have a significant impact as it merely provides for additional disclosures.

IFRS 13 – Fair value measurement

This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP.

This statement is effective on 1 January 2013. The Group is currently considering the impact on the consolidated financial statements, however does not believe the statement will have a significant impact due to the nature of assets and liabilities carried at fair value.



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

1. Significant accounting policies (continued)

Standards, amendments and interpretations not yet effective (continued)

Amendments to IAS 27 (revised 2011) – Separate financial statements

This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

This statement is effective on 1 January 2013. The Group is currently considering the impact, however does not believe the statement will have a significant impact.

Amendments to IAS 28 (revised 2011) – Associates and joint ventures

This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

This statement is effective on 1 January 2013. This statement will have no impact on the consolidated financial statements as joint ventures and associates are currently equity accounted.

Amendments to IAS 32 – Financial Instruments: Presentation

The IASB has issued amendments to the application guidance in IAS 32 – *Financial Instruments: Presentation*, that clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. However, the clarified offsetting requirements for amounts presented in the statement of financial position continue to be different from US GAAP.

This statement is effective on 1 January 2014. The Group is currently considering the impact on the consolidated financial statements, however does not believe the statement will have a significant impact.

Amendment to the transition requirements in IFRS 10, IFRS 11, and IFRS 12

The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10 is adopted – for example, 1 January 2013 for a calendar-year entity that adopts IFRS 10 in 2013. Entities adopting IFRS 10 should assess control at the date of initial application; the treatment of comparative figures depends on this assessment.

The amendment also requires certain comparative disclosures under IFRS 12 upon transition.

This statement is effective on 1 January 2013. The Group is currently considering the impact on the consolidated financial statements, however does not believe the statement will have a significant impact.

Amendments to IFRS 10, IFRS 12 and IAS 27 for investment entities

The amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an “investment entity” definition and which display particular characteristics.

Changes have also been made in IFRS 12 to introduce disclosures that an investment entity needs to make.

This statement is effective for periods beginning on or after 1 January 2014. The Group is currently considering the impact on the consolidated financial statements, however does not believe the statement will have a significant impact.

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

1. Significant accounting policies (continued)

Standards, amendments and interpretations not yet effective (continued)

IFRIC 20 – Stripping costs in the production phase of a surface mine

In surface mining operations, entities may find it necessary to remove mine waste materials (overburden) to gain access to mineral ore deposits. This waste removal activity is known as “stripping”. The interpretation clarifies there can be two benefits accruing to an entity from stripping activity: usable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. The interpretation considers when and how to account separately for these two benefits arising from the stripping activity, as well as how to measure these benefits both initially and subsequently.

This statement is not applicable to the Group.

Annual Improvements Project

The IASB decided to initiate an annual improvements project in 2007 as a method of making necessary, but non-urgent, amendments to IFRS that will not be included as part of another major project. The IASB’s objective was to ease the burden for all concerned.

Improvements to IFRS was issued by the IASB as part the “annual improvements process” resulting in the following amendments to standards issued, but not effective for 31 May 2013 year ends:

- Amendments to IFRS 1 – *First-time adoption of IFRS – Permit the repeated application of IFRS 1, borrowing costs on certain qualifying assets;*
- Amendment to IAS 1 – *Presentation of financial statements – Clarification of the requirements for comparative information;*
- Amendment to IAS 16 – *Property, plant and equipment – Classification of servicing equipment;*
- Amendment to IAS 32 – *Financial instruments: Presentation – Clarify that tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12: Income Taxes; and*
- Amendment to IAS 34 – *Interim financial reporting – Clarify interim reporting of segment information for total assets in order to enhance consistency with the requirements in IFRS 8: Operating Segments.*

Management is currently considering the effect of the changes.

Basis of consolidation

Subsidiaries

Subsidiaries are all entities (including special purpose entities) in which the Group has an interest of more than one-half of the voting rights or otherwise has power to govern the financial and operating policies.

The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

1. Significant accounting policies (continued)

Basis of consolidation (continued)

Subsidiaries (continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless costs cannot be recovered. Non-controlling interest in the consolidated equity and results of the Group are shown separately in the consolidated statement of financial position and statement of comprehensive income respectively.

Non-controlling interest is stated at the non-controlling interest's proportion of the fair values of the identifiable assets and liabilities recognised. Non-controlling interests are treated as equity participants. Acquisitions of non-controlling interests or disposals by the Group of its non-controlling interests in subsidiary companies where control is maintained subsequent to the disposal are accounted for as equity transactions with non-controlling interests.

Consequently, the difference between the purchase price and the book value of a non-controlling interest purchased is recorded in equity. All profits and losses arising as a result of the disposal of interests in subsidiaries to non-controlling interests, where control is maintained subsequent to the disposal, are also recorded in equity.

Where the losses attributable to the non-controlling interests in a consolidated subsidiary exceed their interest in that subsidiary, the total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

When necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

1. Significant accounting policies (continued)

Basis of consolidation (continued)

Subsidiaries (continued)

The Company financial statements account for investment in subsidiaries at cost less any accumulated impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. Loans made to subsidiaries which have no set terms are intended to provide the subsidiary with a long-term source of additional capital and are accounted for as an addition to the parent's investment in that subsidiary. As a result, the loan is considered to be an interest in the subsidiary.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for under the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The Group's share of post-acquisition movements in equity compensation benefit reserves is recognised in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payment on behalf of the associate. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated to the extent of the Group's interest in the associate unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Company financial statements account for investment in associates at cost less any accumulated impairment.

Dilution gains and losses arising in investments in associates are recognised in the statement of comprehensive income.

A listing of the Group's principal subsidiaries and associates is set out in note 34 to the financial statements. The financial effects of the acquisition and disposal of the subsidiaries and associates are disclosed separately in the notes to the financial statements.

Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial operating decisions relating to the activity require the unanimous consent of the parties sharing control (venturers).



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

1. Significant accounting policies (continued)

Basis of consolidation (continued)

Joint ventures

The Group's interest in joint ventures is accounted for under the equity method of accounting whereby an interest in jointly controlled entities is initially recorded at cost and adjusted thereafter for post-acquisition changes in the Group's share of net assets of the joint venture. The statement of comprehensive income reflects the Group's share of the results of operations of the joint venture.

The Company financial statements account for investment in joint ventures at cost less any accumulated impairment.

Loans granted to associates and joint ventures are regarded as part of the investment.

Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in rand, which is the Group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

Assets and liabilities are translated at the closing rate as at statement of financial position date;

- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, such exchange differences are recognised in the statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as the foreign entity's assets and liabilities and are translated at the closing rate.

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

1. Significant accounting policies (continued)

Financial instruments

Financial instruments carried on the statement of financial position include:

Financial assets

- Financial assets at fair value through profit or loss.
- Loans receivable.
- Available-for-sales.
- Trade and other receivables.
- Cash and cash equivalents.

Financial liabilities

- Borrowings.
- Trade and other payables.
- Bank overdraft.

The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

Regular way purchases and sales of financial assets that require delivery are recognised on trade date, being the date on which the Group commits to purchase or sell the asset.

The Group recognises a financial asset or a financial liability on its statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial liabilities (or a part of a financial liability) are removed from its statement of financial position when, and only when, they are extinguished – i.e. when the obligation specified in the contract is discharged or cancelled or expires.

Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its investments at initial recognition.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held-for-trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held-for-trading or are expected to be realised within 12 months of the statement of financial position date.

Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the statement of comprehensive income. These assets are subsequently measured at fair value. All related realised and unrealised gains and losses arising from changes in fair value are recognised in the statement of comprehensive income.



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

1. Significant accounting policies (continued)

Financial assets (continued)

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This category does not include those loans and receivables that the Group intends to sell in the short term or that it has designated as at fair value through profit or loss or available-for-sale. These assets are included in current assets, except for maturities greater than 12 months after the statement of financial position date, which are classified as non-current assets.

Financial assets classified as loans and receivables are initially recognised at fair value plus transaction costs. Subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest rate method, less any provision for impairment.

Loans and receivables comprise loans receivable and trade and other receivables (excluding prepayments and VAT).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the statement of financial position date.

Financial assets classified as available-for-sale are initially recognised at fair value plus transaction costs. Subsequent to initial recognition, available-for-sale financial assets are carried at fair value. Unrealised gains and losses arising from the change in fair value are recognised directly in other comprehensive income until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in the statement of comprehensive income. Interest and dividend income received on available-for-sale financial assets are recognised in the statement of comprehensive income.

Impairment of financial assets

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount.

(a) Loans and receivables

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a Group of financial assets is impaired. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Objective evidence that receivables are impaired includes observable data that comes to the attention of the Group about the following events:

- Significant financial difficulty of the debtor;
- A breach of contract, such as default or delinquency in payments; and
- It becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

1. Significant accounting policies (continued)

Impairment of financial assets (continued)

(a) Loans and receivables (continued)

The amount of the provision is the difference between the carrying amount and the recoverable amount of the assets being the present value of expected cash flows discounted at the original effective interest rate. The amount of the provision is recognised as a charge in the statement of comprehensive income.

When a receivable is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the statement of comprehensive income.

(b) Available-for-sale financial assets

The Group assesses whether there is objective evidence that a financial asset carried at fair value is impaired at each reporting date. If any objective evidence of impairment exists for available-for-sale financial assets (for example, a significant or prolonged decline in the fair value of a security below its cost), the cumulative loss, measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in profit or loss, is removed from other comprehensive income and recognised in the statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the statement of comprehensive income.

Financial liabilities and equity

Financial liability and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Refer to accounting policies on borrowings and trade and other payables for financial liabilities (which exclude employee-related liabilities and VAT), and share capital for equity instruments issued by the Group.

Fair value estimation

The best evidence of fair value on initial recognition is the transaction price, unless the fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on discounted cash flow models and option pricing valuation techniques whose variables include only data from observable markets. Subsequent to initial recognition, the fair values of quoted financial assets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques.

These include the use of recent arm's-length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

1. Significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment is initially recorded at historical cost, being the purchase cost plus any cost to prepare the assets for their intended use. Historical cost includes expenditure that is directly attributable to the acquisition of the item. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Property, plant and equipment is subsequently carried at historical cost less accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment are depreciated on the straight-line basis over each asset's estimated useful life.

Depreciation is calculated on the straight-line basis to write off the cost of the assets to their residual values over their estimated useful lives as follows:

Motor vehicles	20% – 25%
Furniture and fittings	16.67% – 25%
Office equipment	25%
Computer equipment	25% – 33.33%
Terminals and vending machines	16.67%
Media equipment	33.33%
Plant and machinery	20%
Buildings	8.33%

Major leasehold improvements are amortised over the shorter of their respective lease periods and estimated useful life.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. No such qualifying assets exist at year end.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at year end.

Gains and losses on disposal of property, plant and equipment are determined as the difference between the carrying amount and the fair value of the sale proceeds, and are included in operating profit.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Intangible assets

(a) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Computer software has a finite useful life and is subsequently carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of the computer software over its estimated useful life (three to 10 years).

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

1. Significant accounting policies (continued)

Intangible assets (continued)

(a) Computer software (continued)

Costs associated with the maintenance of existing computer software programmes are expensed as incurred.

(b) Trademarks

Trademarks are shown at historical cost. Trademarks have a finite useful life and are subsequently carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives (10 years).

Trademarks are initially shown at fair value as determined in accordance with IFRS 3 – *Business Combinations*, and are subsequently carried at the initially determined fair value less accumulated amortisation and impairment losses.

(c) Franchise fees

Franchise fees are shown at historical cost. Franchise fees have a finite useful life and are subsequently carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of franchise fees over their estimated useful lives (20 years).

Franchise fees are initially shown at fair value as determined in accordance with IFRS 3 – *Business Combinations*, and are subsequently carried at the initially determined fair value less accumulated amortisation and impairment losses.

(d) Databases, customer listings, distribution agreements and customer relationships

Databases, customer listings, distribution agreements and customer relationships acquired through business combinations are initially shown at fair value as determined in accordance with IFRS 3 – *Business Combinations*, and are subsequently carried at the initially determined fair value less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the value of these assets over their estimated useful lives (three to 10 years).

(e) Research and development

Costs incurred on development projects are recognised as intangible assets when the following criteria are fulfilled:

- It is technically feasible to complete the intangible asset and that it will be available for use or sale;
- Management intends to complete the intangible asset and use or sell it;
- There is an ability to use or sell the intangible asset;
- It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Research expenditure is recognised as an expense as incurred. Other development expenditures that do not meet these criteria are recognised as an expense as incurred.



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

1. Significant accounting policies (continued)

Intangible assets (continued)

(e) Research and development (continued)

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is available for use (i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management) on a straight-line basis over its useful life (five to 10 years). Direct costs include the product development employee costs and an appropriate portion of relevant overheads. Costs associated with the maintenance of existing products are expensed as incurred.

(f) Purchased starter pack bases and post paid bases

Purchased starter pack bases represent the right to earn future revenue from starter packs already distributed and are initially recognised at the cost to the Group. Starter pack bases have a finite life and are subsequently carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over their estimated useful lives (seven years).

Purchased post paid bases represent the right to earn revenue from the cellular network in respect of contracts forming part of the acquired base. Post paid bases have a finite life and are subsequently carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over their estimated useful lives (10 years).

(g) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is attributable to synergies that the Group expects to derive from the transaction. If the cost of acquisition is less than the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income. Goodwill on the acquisition of subsidiaries is included in "goodwill" in the statement of financial position. Goodwill on acquisitions of associates and joint ventures is included in "investments in associates and joint ventures".

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment is recognised.

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Impairment of non-financial assets

The Group evaluates the carrying value of assets with finite useful lives when events and circumstances indicate that the carrying value may not be recoverable and when there are indicators of impairment. Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Intangible assets not yet available for use are tested annually for impairment.

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

1. Significant accounting policies (continued)

Impairment of non-financial assets (continued)

An impairment loss is recognised in the statement of comprehensive income when the carrying amount of an asset exceeds its recoverable amount. An asset's recoverable amount is the higher of the fair value less cost to sell (the amount obtainable from the sale of an asset in an arm's-length transaction between knowledgeable willing parties), or its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

An impairment loss recognised for an asset, other than goodwill, in prior years is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised and the recoverable amount exceeds the new carrying amount. The reversal of the impairment is limited to the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior years. The reversal of such an impairment loss is recognised in the statement of comprehensive income in the same line item as the original impairment charge.

(a) Finance leases

Lease agreements that transfer substantially all the risks and rewards of ownership are classified as finance leases at inception of the lease. The asset is capitalised at the lower of the fair value of the asset or the present value of the minimum lease payments at inception of the lease, with an equivalent amount being stated as a finance lease liability. Finance lease liabilities are classified as non-current or current liabilities, as appropriate. Each lease payment is allocated between the liability and finance charges using the effective interest rate. Finance costs are charged to the statement of comprehensive income over the lease period.

The capitalised asset is depreciated over the shorter of the useful life of the asset or the lease term to its residual value.

(b) Operating leases

Leases in which a significant portion of the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments under operating leases, net of incentives, are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Starter pack assets

A starter pack is a tool which enables the connection of a mobile device to a mobile network operator, also known as a SIM (subscriber identity module) card.

The starter pack asset represents starter packs which have been distributed but not yet activated. On activation of the starter pack, the Group has a right to receive cash. Starter packs are stated at cost less provision for impairment and are determined by means of the weighted average cost basis. Provision for impairments are made for starter packs distributed not expected to be activated.



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

1. Significant accounting policies (continued)

Inventories

Inventories are stated at the lower of cost or estimated net realisable value. Cost comprises direct materials and, where applicable, overheads that have been incurred in bringing the inventories to their present location and condition, excluding borrowing costs. The cost of the inventory is determined by means of the weighted average cost basis. Net realisable value is the estimate of the selling price in the ordinary course of business, less selling expenses. Provisions are made for obsolete, unusable and unsaleable inventory and for latent damage first revealed when inventory items are taken into use or offered for sale.

Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in the normal operating cycle of the business, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Assets and liabilities of disposal group held-for-sale

Disposal groups are classified as assets and liabilities held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is highly probable. They are stated at the lower of carrying amount and fair value less cost to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

Share capital

Ordinary shares are classified as equity and the shares are fully paid up.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Share issue costs incurred directly in connection with a business combination are shown as a deduction from equity.

Shares acquired by Blue Label Telecoms for its own employees' equity compensation benefit scheme as well as the shares procured by the subsidiaries in terms of this scheme are accounted for as treasury shares in the Group statement of financial position.

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

1. Significant accounting policies (continued)

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are not recognised for future operating expenses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

The increase in the provision due to the passage of time is recognised as an interest expense.

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 statement of comprehensive income over the period of the borrowings using the effective interest rate method.

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

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

Normal taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at year end in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Uncertain tax positions are considered by the Group at the level of the individual uncertainty or Group of related uncertainties.

Deferred taxation

Deferred taxation is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by year end and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

1. Significant accounting policies (continued)

Deferred taxation (continued)

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Secondary tax on companies (STC)

Until 31 March 2012, South African companies were subject to a dual corporate tax system, one part of the tax being levied on the taxable income and the other, an STC, on distributed income. STC is not a withholding tax on shareholders but a tax on companies. With effect from 1 April 2012, dividends tax replaces STC. Dividends Tax is provided for at 15% of the amount of any dividend paid, subject to certain exemptions. The dividend tax is a tax borne by the beneficial owner of the dividend and will be withheld by either the issuer of the dividend or by regulated intermediaries.

The STC tax consequence of dividends is recognised when a liability to pay the dividend is recognised. The STC liability is reduced by dividends received during the dividend cycle, and where dividends received exceed dividends declared within a cycle, there is no liability to pay STC. The potential tax benefit related to excess dividends received is carried forward to the next dividend cycle. Deferred tax assets are recognised on unutilised STC credits to the extent that it is probable that the Group will declare future dividends to utilise such STC credits.

Where dividends declared exceed the dividends received during a cycle, STC is payable at the current STC rate. STC is a charge against income, and is recognised in the taxation charge in the statement of comprehensive income in the same period as the related dividend is accrued as a liability.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within the normal operating cycle of the business. If not, they are presented as non-current liabilities.

Trade payables are measured initially at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of indirect taxes, estimated returns, rebates and discounts and after eliminated sales within the Group.

Revenue from the sale of goods and the rendering of services is recognised when it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue, and associated costs incurred or to be incurred, can be measured reliably.

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

1. Significant accounting policies (continued)

Revenue recognition (continued)

The main categories of revenue and the bases of recognition are as follows:

(a) Sale of starter packs

Revenue is recognised when the significant risks and rewards of ownership are transferred to the customer; and when the entity no longer retains continuing managerial involvement to the degree usually associated with ownership.

Activation bonuses received from the networks are recognised when the SIM card is activated on the relevant cellular phone network. Ongoing revenue and other incentives are recognised once certain criteria have been met. The point of activation is determined by the relevant cellular phone networks. For this category of revenue the Group acts as a principal.

(b) Sales of prepaid airtime

Sales of prepaid airtime are recognised when the Group sells the airtime to the customer. Sales are recorded based on the price specified in the sales contracts, net of discounts at the time of sale. The Group accounts for the sale of prepaid airtime based on the substance of the arrangement. Where the Group acts in its capacity as principal for the sale of airtime (for instance where the Group bears inventory risk), revenue is recognised as the fair value of the consideration receivable net of discounts and taxes. Revenue is recognised at the point at which risks and rewards are transferred to the customer and the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the prepaid airtime.

Where the Group is acting in its capacity as an agent in the sale of prepaid airtime (for instance where the Group does not bear any inventory risk), the amount of revenue recorded is the fair value of commission received or receivable.

(c) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. These services include location-based services, SMS transaction services, media, call centre and data transaction revenue and technology revenue. For this category of revenue the Group acts as a principal.

(d) Electricity commission

Commissions on the sale of prepaid electricity are recognised when the Group sells electricity to the customer on behalf of the utility suppliers. Commissions are recorded based on agreed rates per the contracts. For this category of revenue the Group acts as an agent.



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

1. Significant accounting policies (continued)

Employee benefits

(a) Equity compensation benefit

The Group operates an equity-settled forfeitable share incentive plan, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the services received in exchange for the grant of forfeitable shares is recognised as an expense. The total amount to be expensed is determined by the fair value of the forfeitable shares granted. The total amount expensed is recognised over the vesting period, which is the period over which all of the vesting conditions are to be satisfied. At each reporting date, the entity recognises the impact of any shares that have been forfeited prior to the end of the vesting period, if any, in the statement of comprehensive income with a corresponding adjustment to equity.

The subsidiaries procure the shares in order to settle the award, but these are accounted for as a purchase of shares in the holding company, and only once the shares vest as the performance conditions are met would the share be derecognised. When shares are derecognised, the investment in shares in Blue Label Telecoms Limited will be credited and equity will be debited as a contribution to the shareholder.

(b) Bonus plans

The Group recognises a liability and an expense for bonuses. A liability is recognised where the Group is contractually obliged or where there is a past practice that has created a constructive obligation.

(c) Leave pay accrual

The Group recognises a liability and an expense for leave. The accrued liability is determined by valuing all future leave expected to be taken and payments expected to be made in respect of benefits.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest rate method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which they are approved by the shareholders.

Core net profit

Core net profit is a non-IFRS measure used by the Group 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 – *Business Combinations*.

Reconciliation of core net profit to relevant IFRS measures are presented in note 24 (core HEPS) and note 32 (segmental summary).

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

2. Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Assessment of goodwill for impairment

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. Refer to note 5 for details on these estimates.

(b) Equity compensation benefit

In determining the number of forfeitable shares that will vest due to performance conditions being met, management assesses the attrition rates of staff based on the grades of staff that have been granted awards as well as the historic staff turnover.

(c) Income taxes

As with any enterprise, the Group faces uncertainties in the markets in which it operates and over which it has little or no control. The Group is subject to income tax in numerous jurisdictions and judgement is required in determining the provision for tax.

There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Amounts accrued are based on management's interpretation of country-specific tax law and the likelihood of settlement. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised to the extent that it is probable that taxable income will be available in the future against which these can be utilised. Future taxable profits are estimated based on business plans which include estimates and assumptions regarding economic growth, interest rates, inflation and competitive forces.

Changes in the estimates of the consideration could result in the recognition of material adjustments in future periods.



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

2. Critical accounting estimates and assumptions (continued)

(d) Valuation of intangible assets acquired as part of a business combination

The fair values of all of the identifiable intangible assets acquired as part of a business combination are determined using recognised valuation techniques. Such techniques often rely on forecasts of future cash flows and the use of appropriate discount rates that reflect the risk factors associated with the cash flows.

These valuations are based on information at the time of the acquisition and the expectations and assumptions that have been deemed reasonable by the Group's management. The risk exists that the underlying assumptions or events associated with such assets will not occur as projected. For these reasons, among others, the actual cash flows may vary from forecasts of future cash flows.

(e) Assessment of principal versus agent

Details of whether BLT acts as a principal or an agent in certain of its transactions is set out in the Revenue Recognition note. This assessment requires an analysis of whether BLT carries inventory risk and the customer's credit risk, whether BLT has the latitude to establish pricing and whether BLT has the primary responsibility for providing the goods or services to the customer.

(f) Purchased starter pack bases and post paid starter pack bases

The relative size of the Group's purchased starter pack bases and post paid starter pack bases makes the judgements surrounding the estimated useful lives and residual values critical to the Group's financial position and performance. Useful lives are reviewed on an annual basis with the effects of any changes in estimate accounted for on a prospective basis. The residual values of these assets are assumed to be zero. The current useful life of these bases is estimated to be seven to ten years, based on management's estimates and taking into account historical experience as well as future events which may impact the useful lives.

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

3. Financial risks

In the course of its business, the Group is exposed to a number of financial risks: credit risk, liquidity risk and market risk (including foreign currency, interest rate and other price risks). This note presents the Group's objectives, policies and processes for managing its financial risk and capital.

Risk management is monitored and managed by key personnel of each entity in the Group on a daily basis based on their specific operational requirements.

Credit risk

Credit risk arises because a counterparty may fail to meet its obligations to the Group. The Group is exposed to credit risk on financial assets mainly in respect of trade receivables, loan receivables and cash and cash equivalents.

Trade receivables consist primarily of invoiced amounts from normal trading activities. The Group has a diversified customer base and policies are in place to ensure sales are made to customers with an appropriate credit history and payment history. Individual credit limits are set for each customer and the utilisation of these credit limits is monitored regularly. Customers cannot exceed their set credit limit, without specific senior management approval. Such approval is assessed and granted on a case-by-case basis. Management regularly reviews the debtors age analysis and follows up on long-outstanding debtors. Where necessary, a provision for impairment is made. A portion of the Group's customer base is made up of major retailers, with the balance of the customer base being widely dispersed.

The risk of starter pack receivables is assessed as low due to the fact that annuity income can be utilised in the settlement of the receivable balances.

Loans are only granted to holders with an appropriate credit history, taking into account the holder's financial position and past experience.

The Group places cash and cash equivalents with major banking groups and quality institutions that have high credit ratings.

The Group has significant concentrations of credit risk with Investec Bank Limited in line with its treasury function.

The Group's maximum credit risk exposure is the carrying amount of all financial assets on the statement of financial position and sureties provided with the maximum amount the Group could have to pay if the sureties are called on, amounting to R3.1 million (2012: R2.9 million).



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

3. Financial risks (continued)

Credit risk (continued)

The Group considers its maximum exposure per class, without taking into account any collateral and financial guarantees, to be as follows:

	2013 R'000	2012 R'000
Loans receivable		
Group 1	10 971	—
Group 2	26 460	31 484
	37 431	31 484
Trade receivables		
Group 1	15 670	123 500
Group 2	1 407 614	1 224 050
Group 3	14 974	19 960
Total unimpaired trade receivables	1 438 258	1 367 510

Refer to note 12 for a breakdown of the provision raised for these trade receivables.

The effect of discounting of the trade receivables is not taken into account in the table above.

The rating groups for counterparties are categorised as follows:

Group 1 – New customers/related parties (less than six months).

Group 2 – Existing customers/related parties (more than six months) with no defaults in the past.

Group 3 – Existing customers/related parties (more than six months) with some defaults in the past. All defaults were fully recovered or are in the process of being recovered.

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

	2013 R'000	2012 R'000
3. Financial risks (continued)		
Cash at bank and short-term bank deposits		
Credit rating based on latest Fitch local currency long-term issuer default ratings		
AAA	6	198
A+	434	—
A-	55 642	39 000
BBB+	—	438 869
BBB	221 357	1 495 141
BBB-	663 464	—
B	15	—
Other	298	1 585
	941 216	1 974 793



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

3. Financial risks (continued)

Liquidity risk

Liquidity risk arises when a company encounters difficulties in meeting commitments associated with liabilities and other payment obligations. The Group's objective is to maintain prudent liquidity risk management by maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

Cash flow forecasting is performed in the operating entities of the Group to ensure sufficient cash to meet operational needs while maintaining sufficient headroom to ensure that borrowing limits (where applicable) are not breached.

Surplus cash held by the operating entities over and above the balance required for working capital management is transferred to the Group treasury. Group treasury invests surplus cash in interest-bearing accounts, identifying instruments with sufficient liquidity to provide adequate headroom as determined by the above mentioned forecasts.

The Group has a short-term loan facility with Investec Bank Limited of R900 million. At year end, the facility was unutilised.

In the prior year, the Group had the following short-term facilities with Investec Bank Limited: A R850 million facility which could be utilised as a guarantee or loan facility as well as a R350 million facility which could be utilised as a guarantee facility. These facilities had been utilised as guarantees. In addition, the Group had a R300 million facility which could be utilised as a loan facility.

These facilities bear certain debt covenants. The Group has not been placed in breach in respect of these covenants. The Group has pledged certain securities in respect of these facilities. (Refer to notes 11, 12 and 13.)

The Company and a subsidiary company issued a cross surety in respect of an overdraft facility in the amount of R19.8 million in favour of FNB, a division of FirstRand Bank Limited. This facility was unutilised as at 31 May 2013. In addition, the Company and four of its subsidiaries had issued a cross surety in the amount of R1.7 million.

In the prior year the Company and a subsidiary company issued a cross surety in respect of a guarantee and overdraft facility in the amount of R39.8 million in favour of FNB, a division of FirstRand Bank Limited. This facility was unutilised as at 31 May 2012. In addition, the Company and four of its subsidiaries had issued a cross surety in the amount of R1.7 million.

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

3. Financial risks (continued)

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Maturity of financial liabilities

	Less than one month or on demand R'000	More than one month but not exceeding one year R'000	Payable in: More than one year but not exceeding two years R'000	More than two years but not exceeding five years R'000	More than five years R'000
2013					
Non-interest-bearing borrowings	12 017	—	—	—	—
Interest-bearing borrowings	1 980	—	—	—	—
Trade and other payables*	907 800	1 452 762	22 301	570	—
Total	921 797	1 452 762	22 301	570	—
2012					
Non-interest-bearing borrowings	12 017	—	—	—	—
Trade and other payables*	1 247 957	604 113	29 026	—	—
Total	1 259 974	604 113	29 026	—	—

* Trade and other payables exclude non-financial instruments, being VAT and certain amounts included within accruals and sundry creditors.



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

3. Financial risks (continued)

Market risk

Market risk is the risk that changes in market prices (interest rate and currency risk) will affect the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group is exposed to risks from movements in foreign exchange rates and interest rates that affect its assets, liabilities and anticipated future transactions. The Group is not exposed to significant levels of price risk.

Fair value measurement hierarchy:

- Level 1: fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); or
- Level 3: fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

All financial assets at fair value through profit and loss are level 3 financial assets.

Cash flow and fair value interest rate risk

The Group's cash flow interest rate risk arises from loans receivable, cash and cash equivalents and borrowings carrying interest at variable rates. The Group is not exposed to fair value interest rate risk as the Group does not have any fixed interest-bearing instruments carried at fair value.

The Group's exposure to interest rate risk is reflected under the respective cash and cash equivalents and borrowings notes (notes 13 and 16). As part of the process of managing the Group's exposure to interest rate risk, interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates.

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

3. Financial risks (continued)

Foreign currency risk

The Group is exposed to foreign currency risk from transactions and translation. Transaction exposure arises because affiliated companies undertake transactions in currencies other than their functional currency.

The Group manages its exposure to foreign currency risk by ensuring that the net foreign currency exposure remains within acceptable levels. Hedging instruments may be used in certain instances to reduce risks arising from foreign currency fluctuations.

The Group did not enter into any forward exchange contracts during the period under review.

IFRS 7 – Sensitivity analysis

The Group has used a sensitivity analysis technique that measures the estimated change to the statement of comprehensive income of either an instantaneous increase or decrease of 1% (100 basis points) in market interest rates or a 10% strengthening or weakening of the rand against all other currencies, from the rates applicable at 31 May 2013, for each class of financial instrument with all other variables remaining constant. This analysis is for illustrative purposes only, as in practice market rates rarely change in isolation.

Interest rate risk

The interest rate sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect the interest income or expense of variable interest financial instruments;
- Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interest rates if these are recognised at fair value; and
- Under these assumptions, a 1% increase or decrease in market interest rates at 31 May 2013 would increase or decrease profit before tax by R9.6 million (2012: R19.8 million).



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

3. Financial risks (continued)

Foreign currency risk

Financial instruments by currency

	ZAR R'000	USD R'000	NgN R'000	GBP R'000	Total R'000
2013					
Financial assets					
Cash and cash equivalents	940 827	434	21	—	941 282
Trade and other receivables*	1 444 543	195	—	—	1 444 738
Loans receivable	37 431	—	—	—	37 431
	2 422 801	629	21	—	2 423 451
Financial liabilities					
Non-interest-bearing borrowings	12 017	—	—	—	12 017
Interest-bearing borrowings	1 980	—	—	—	1 980
Trade and other payables*	2 382 721	143	344	225	2 383 433
	2 396 718	143	344	225	2 397 430
Net financial position	26 083	486	(323)	(225)	26 021

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

3. Financial risks (continued)

Foreign currency risk (continued)

Financial instruments by currency (continued)

	ZAR R'000	USD R'000	NgN R'000	GBP R'000	Total R'000
2012					
Financial assets					
Cash and cash equivalents	1 973 384	773	1 085	—	1 975 242
Trade and other receivables*	1 374 954	118	1 755	—	1 376 827
Loans receivable	31 484	—	—	—	31 484
	3 379 822	891	2 840	—	3 383 553
Financial liabilities					
Non-interest-bearing borrowings	12 017	—	—	—	12 017
Trade and other payables*	1 880 335	27	692	43	1 881 097
	1 892 352	27	692	43	1 893 114
Net financial position	1 487 470	864	2 148	(43)	1 490 439

* Trade and other receivables, and trade and other payables exclude non-financial instruments.



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

3. Financial risks (continued)

Foreign currency risk (continued)

Financial instruments by currency (continued)

With a 10% strengthening or weakening in the rand against all other currencies, profit before tax would have decreased or increased by R6 200. In the prior year, with a 10% strengthening or weakening in the rand against all other currencies, profit before tax would have increased or decreased by R0.3 million.

Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust this capital structure, the Company may issue new shares, adjust the amount of dividends paid to shareholders, return capital to shareholders or sell assets to reduce debt.

The Group defines capital as capital and reserves and non-current borrowings. The Group is not subject to externally imposed capital requirements.

There were no changes to the Group's approach to capital management during the year.

Fair value measurement

For all short-term financial assets and liabilities, the carrying amount is regarded as an approximation of the fair value.

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

	Computer equipment R'000	Furniture and fittings R'000	Motor vehicles R'000
4. Property, plant and equipment			
Year ended 31 May 2013			
Opening carrying amount	11 184	4 588	7 154
Additions	10 748	367	4 617
Disposals	(338)	(385)	(2 033)
Depreciation charge	(7 822)	(1 413)	(2 229)
Impairment charges*	—	—	—
Closing carrying amount	13 772	3 157	7 509
At 31 May 2013			
Cost	43 498	9 327	12 192
Accumulated depreciation	(29 574)	(5 577)	(4 683)
Accumulated impairments	(152)	(593)	—
Carrying amount	13 772	3 157	7 509
Year ended 31 May 2012			
Opening carrying amount	11 316	5 796	8 415
Additions	7 385	860	3 283
Disposals	(182)	(8)	(1 783)
Depreciation charge	(7 335)	(1 573)	(2 761)
Impairment charges*	—	(487)	—
Closing carrying amount	11 184	4 588	7 154
At 31 May 2012			
Cost	35 331	10 329	14 404
Accumulated depreciation	(23 995)	(5 148)	(7 250)
Accumulated impairments	(152)	(593)	—
Carrying amount	11 184	4 588	7 154

* The impairment in the current and prior years mainly relate to the scrapping of terminals and vending machines. These terminals were scrapped due to technological redundancy, non-locatable devices and uneconomical for repair. These were scrapped at net book value. These impairments solely relate to the South African distribution segment.

There are no property, plant and equipment assets that are encumbered.



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

Office equipment R'000	Leasehold improve- ments R'000	Terminals and vending machines R'000	Media equipment R'000	Plant and machinery R'000	Buildings R'000	Total R'000
2 453	31 052	53 767	114	44	1 832	112 188
245	652	3 382	—	31	—	20 042
(103)	(45)	(852)	—	(30)	—	(3 786)
(1 393)	(7 615)	(16 436)	—	(3)	—	(36 911)
—	(438)	(2 970)	—	—	—	(3 408)
1 202	23 606	36 891	114	42	1 832	88 125
6 476	46 989	90 110	114	53	1 832	210 591
(4 854)	(22 945)	(48 632)	—	(11)	—	(116 276)
(420)	(438)	(4 587)	—	—	—	(6 190)
1 202	23 606	36 891	114	42	1 832	88 125
3 331	38 677	68 150	1 673	557	1 832	139 747
248	483	17 491	114	36	—	29 900
(4)	(559)	(802)	(1 410)	(336)	—	(5 084)
(1 122)	(7 549)	(18 772)	(263)	(213)	—	(39 588)
—	—	(12 300)	—	—	—	(12 787)
2 453	31 052	53 767	114	44	1 832	112 188
7 052	49 790	110 086	114	143	1 832	229 081
(4 179)	(18 738)	(54 702)	—	(99)	—	(114 111)
(420)	—	(1 617)	—	—	—	(2 782)
2 453	31 052	53 767	114	44	1 832	112 188

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

	Goodwill R'000	Trademarks R'000	Customer listing R'000
5. Intangible assets			
Year ended 31 May 2013			
Opening carrying amount	213 498	2 730	1 967
Additions	14 729	8	330
Disposals	(10 592)	(76)	—
Amortisation charge	—	(687)	(815)
Closing carrying amount	217 635	1 975	1 482
At 31 May 2013			
Cost	248 501	6 835	33 147
Accumulated amortisation	(4 746)	(4 860)	(31 665)
Accumulated impairments	(26 120)	—	—
Carrying amount	217 635	1 975	1 482
Year ended 31 May 2012			
Opening carrying amount	214 834	3 385	2 800
Additions	5 847	83	—
Disposals	(2 499)	(25)	—
Amortisation charge	—	(713)	(833)
Impairment charges	(4 684)	—	—
Closing carrying amount	213 498	2 730	1 967
At 31 May 2012			
Cost	239 618	6 918	32 817
Accumulated amortisation	—	(4 188)	(30 850)
Accumulated impairments	(26 120)	—	—
Carrying amount	213 498	2 730	1 967

* Included in the amortisation charge is an amount of R51 million (2012: R32 million) in respect of the purchased starter pack bases and post paid bases, which is charged to the changes in inventories of finished goods line in the statement of comprehensive income.

** This represents independently distributed starter pack bases and post paid bases purchased during the current and prior year. The remaining amortisation periods range between 43 months and 115 months.

The carrying amount of goodwill and intangible assets have been reduced to their recoverable amounts through recognition of an impairment loss when required.



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

Distribution agreement R'000	Computer software R'000	Internally generated software R'000	Franchise fees R'000	Customer relationships R'000	Purchased starter pack bases and post paid bases** R'000	Total R'000
4 310	30 764	21 837	6 897	5 810	217 885	505 698
—	6 266	7 346	—	4 825	263 997	297 501
(2 841)	(172)	(70)	(4 500)	—	—	(18 251)
(746)	(11 308)	(7 444)	(786)	(5 846)	(51 298)*	(78 930)
723	25 550	21 669	1 611	4 789	430 584	706 018
11 806	72 010	57 636	3 118	131 348	526 169	1 090 570
(9 205)	(46 050)	(21 400)	(1 507)	(125 944)	(95 585)	(340 962)
(1 878)	(410)	(14 567)	—	(615)	—	(43 590)
723	25 550	21 669	1 611	4 789	430 584	706 018
5 670	30 165	25 030	2 132	19 813	129 684	433 513
—	11 754	2 606	5 400	—	120 593	146 283
—	—	—	—	—	—	(2 524)
(1 360)	(11 155)	(5 595)	(635)	(14 003)	(32 392)*	(66 686)
—	—	(204)	—	—	—	(4 888)
4 310	30 764	21 837	6 897	5 810	217 885	505 698
16 716	75 107	52 874	8 518	126 673	262 172	821 413
(10 528)	(43 933)	(16 470)	(1 621)	(120 248)	(44 287)	(272 125)
(1 878)	(410)	(14 567)	—	(615)	—	(43 590)
4 310	30 764	21 837	6 897	5 810	217 885	505 698

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

5. Intangible assets (continued)

The cash-generating units to which goodwill is allocated are presented below:

	2013 R'000	2012 R'000
Blue Label Distribution Proprietary Limited	36 364	36 364
Blue Label Engage Proprietary Limited ³	2 742	—
Cellfind Proprietary Limited	21 406	21 406
Content Connect Africa Proprietary Limited ¹	—	4 745
Crown Cellular	62 113	62 113
Multiserv Proprietary Limited ²	—	5 847
Panacea Mobile Proprietary Limited ³	6 883	—
TicketPros Proprietary Limited ³	5 104	—
Datacel Group	83 023	83 023
	217 635	213 498

¹ In the prior year, a portion of the goodwill arising on the acquisition of Content Connect Africa Proprietary Limited was impaired due to the fair value less cost to sell being less than the carrying value. Content Connect Africa Proprietary Limited was disposed of in the current year (refer to note 27).

² Multiserv Proprietary Limited was acquired in the prior year (refer to note 28.1) and disposed of in the current year (refer to note 27).

³ Blue Label Engage Proprietary Limited, Panacea Mobile Proprietary Limited and TicketPros Proprietary Limited were acquired in the current year (refer to note 28.1).

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The recoverable amount, which is the higher of fair value less cost to sell and value in use of CGUs, has been determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by the board of directors for the forthcoming year and forecasts for up to five years which are based on assumptions of the business, industry and economic growth. Cash flows beyond this period are extrapolated using terminal growth rates, which do not exceed the expected long-term economic growth rate.



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

5. Intangible assets (continued)

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

	2013		2012	
	Growth rate %	Discount rate %	Growth rate %	Discount rate %
Blue Label Distribution Proprietary Limited	4.20	14.79	4.20	15.97
Blue Label Engage Proprietary Limited	4.00	17.99	—	—
Cellfind Proprietary Limited	4.00	17.49	4.00	18.46
Crown Cellular	4.50	16.29	4.50	18.46
Multiserv Proprietary Limited	—	—	4.50	20.45
Panacea Mobile Proprietary Limited	4.00	17.49	—	—
TicketPros Proprietary Limited	4.20	14.79	—	—
Datacel Group	2.50	21.73	2.50	21.73

The discount rates used are pre-tax and reflect specific risks relating to the relevant companies. The growth rate is used to extrapolate cash flows beyond the budget period.

If one or more of the inputs were changed to a reasonable possible alternative assumption, there would be no further significant impairments that would have to be recognised.

The recoverable amount of Content Connect Africa Proprietary Limited was based on fair value less cost to sell. The fair value is based on indicative sales values for the respective businesses. Content Connect Africa Proprietary Limited was disposed of in the current year and SharedPhone International Proprietary Limited was disposed of in the prior year.

The valuation of the goodwill balances did not result in goodwill impairment charges for the year (2012: R4.7 million).

Refer to note 32 for details of impairments per segment.

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

	2013 R'000	2012 R'000
6. Investments in associates and joint ventures		
Cost and share of reserves at the beginning of the year	224 551	218 027
Acquisition of joint venture	138 174	—
Share of losses from associates and joint ventures	(47 326)	(19 835)
Share of results after tax	(43 150)	(16 387)
Amortisation of intangible assets	(5 800)	(4 788)
Deferred tax on intangible assets amortisation	1 624	1 340
Foreign currency translation reserve	79 722	30 433
Equity compensation benefit	77	(596)
Dividends received	(750)	(453)
Disposal of joint ventures	2 273	(3 025)
Cost and share of reserves at the end of the year	396 721	224 551
Loans at the beginning of the year	132 920	21 970
Loans granted to associates and joint ventures	94 161	104 517
Loans repaid by associates and joint ventures	—	(1 228)
Disposal of joint ventures	(1 110)	—
Loans impaired	(2 039)	—
Loan granted to joint venture capitalised	(112 822)	—
Unrealised foreign exchange profit on loans to associates and joint ventures	16 331	7 661
Loans at the end of the year	127 441	132 920
Closing net book value	524 162	357 471

Investments in associates and joint ventures include goodwill to the value of R257 million (2012: R205 million).

There was no impairment of investment in associates and joint ventures. The average terminal growth rates applied were between 1% and 4.5% (2012: 1.5% and 4.5%). The weighted average cost of capital used to discount these cash flows ranged between 17.8% and 18.03% (2012: 17.96% and 18.28%). The discount rates used are pre-tax and reflect specific risks relating to the relevant companies.

If one or more of the inputs were changed to a reasonable possible alternative assumption, there would be no further significant impairments that would have to be recognised.



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

6. Investments in associates and joint ventures (continued)

Loans to associates and joint ventures

	Interest rate	2013 R'000	2012 R'000
Oxygen Services India (Private) Limited	Libor + 1.5%	18 643	18 643
Blue Label Mexico S.A. de C.V.	4.50%	—	27 829
2DFine Holdings Mauritius*	9.50%	108 798	83 890
Bela Phone Company Proprietary Limited	—	—	2 260
E-mail Marketing Solutions Proprietary Limited	—	—	46
Betterquote Proprietary Limited	—	—	252
	—	127 441	132 920

* Refer to note 30 for details on the surety relating to this loan.

The loans are neither past due nor impaired with a low risk of default.

Loans to associates and joint ventures have no fixed terms of repayment.

Shares in associates and joint ventures acquired during the year

	Joint venture	Date acquired	Effective percentage
Blue Label Mexico S.A. de C.V.		1 September 2012	5

On 1 September 2012 Blue Label Telecoms acquired a further 5% in Blue Label Mexico S.A. de C.V. (BLM) for a purchase consideration of R21.1 million. A further capital contribution of R89.2 million was advanced to BLM during the year. The loan balance at 31 May 2012 amounting to R27.8 million was capitalised during the year.

In June 2011, Blue Label Telecoms acting through its wholly owned subsidiary, Gold Label Investments, acquired a 50% interest in 2DFine Holdings Mauritius. The investment is classified as a joint venture as unanimous approval of the shareholders is required for decisions. 2DFine Holdings Mauritius holds 37.22% of Oxygen Services India. In terms of IFRS, an entity does not aggregate its interests held through associates and joint ventures when assessing for control as BLT through this relationship cannot direct the financial and operating policies of Oxygen Services India. Therefore, even though BLT has an effective interest of 55.83% in Oxygen Services India, the Group neither controls nor jointly controls Oxygen Services India.

Shares in associates and joint ventures disposed during the year

	Joint venture	Date disposed	Effective percentage
E-mail Marketing Solutions Proprietary Limited	Joint venture	31 October 2012	41
Betterquote Proprietary Limited	Joint venture	31 August 2012	21
Bela Phone Company Proprietary Limited	Joint venture	1 May 2013	51

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

6. Investments in associates and joint ventures (continued)

Associates

The Group's interest in its principal associates, which are unlisted, is as follows:

Name	Country of incorporation	Assets R'000
2013		
Smart Voucher Limited trading as Ukash	United Kingdom	647 550
Oxigen Services India (Private) Limited	India	194 734
Dual Data Proprietary Limited	South Africa	3
2012		
Smart Voucher Limited trading as Ukash	United Kingdom	430 979
Oxigen Services India (Private) Limited	India	152 191
Dual Data Proprietary Limited	South Africa	8

* Less than R1 000.

There are no contingent liabilities relating to the Group's interest in associates.
For details on related party transactions, refer to note 30.



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

Liabilities R'000	Revenues R'000	Profit/(loss) R'000	Effective percentage interest held	Net book value R'000
471 111	357 247	51 408	17.25	65 652
135 757	3 044 819	1 270	55.83	79 992
—	—	(4)	50	4
326 694	241 623	39 659	17.25	49 773
102 370	2 575 239	4 859	55.83	77 598
—	—	12	50	6

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

6. Investments in associates and joint ventures (continued)

Set out below is the summarised financial information of joint ventures:

Name	Country of incorporation	Non-current assets R'000	Current assets R'000
2013			
Blue Label Mexico S.A. de C.V.	Mexico	218 686	130 600
2DFine Holdings Mauritius	Mauritius	96 570	1
Datacision Proprietary Limited	South Africa	122	6 374
2012			
Blue Label Mexico S.A. de C.V.	Mexico	76 097	52 993
2DFine Holdings Mauritius	Mauritius	82 106	1
Bela Phone Company Proprietary Limited	South Africa	30	2 342
E-mail Marketing Solutions Proprietary Limited	South Africa	—	—
Betterquote Proprietary Limited	South Africa	*	*
Datacision Proprietary Limited	South Africa	124	5 651

* Less than R1 000.

Blue Label Telecoms Limited has guaranteed 45% of the amount owed by BLM to Radiomovil Dipsa S.A. de C.V. (trading as Telcel). At year end there is no balance due to them by BLM.

There are no other contingent liabilities relating to the Group's interest in joint ventures. For details on related party transactions, refer to note 30.



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

	Non-current liabilities R'000	Current liabilities R'000	Revenues R'000	Profit/(loss) R'000	Effective percentage interest held	Net book value R'000
	—	73 551	1 742 863	(113 155)	45	274 672
	—	110 093	—	(9 274)	50	102 029
	—	2 875	20 753	2 603	50	1 813
	—	79 988	859 592	(59 155)	40	146 344
84 367	275	—	—	(2 305)	50	82 617
—	6 181	1 511	—	(1 000)	51	318
—	135	148	—	(135)	41	(25)
—	2	*	—	(2)	21	(421)
—	3 262	10 430	—	1 659	50	1 261

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

	2013 R'000	2012 R'000
7. Loans receivable		
Interest-free loans	21 285	23 148
Interest-bearing loans receivable	16 146	8 336
	37 431	31 484
<i>Less: Amounts included in current portion of loans receivable</i>	(36 431)	(30 049)
	1 000	1 435
Non-interest-bearing loans are unsecured and have no fixed terms of repayment. Interest-bearing loans bear interest at an average of between prime and prime plus 2% and are unsecured. Interest-bearing loans amounting to R7.9 million have no repayment terms; the remaining balance is repayable over an average of one year. The loans receivable are neither past due nor impaired with a low risk of default. Of this amount, R20 million (2012: R23 million) relates to loans receivable from related parties, which are interest free (refer to note 30).		
8. Starter pack assets		
Balance at the beginning of the year	7 692	37 138
Additions	8 388	5 078
Impairments*	(4 007)	(3 534)
Disposals*	(8 385)	(30 990)
At the end of the year	3 688	7 692
<i>Less: Current portion</i>	(1 115)	(3 191)
	2 573	4 501
* These impairments and disposals are charged to the statement of comprehensive income and are included in changes in inventories of finished goods. The impairments represent the value of starter packs that management considers the probability of activation to be low. The disposals represent starter packs that have activated during the year.		



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

9. Deferred taxation

	Capital allow- ances R'000	Fair value gains R'000	Pro- visions R'000	Tax losses R'000	Pre- pay- ments R'000	Other R'000	Total R'000
At 31 May 2011	1 799	20 776	(5 951)	(18 263)	2 534	3 254	4 149
Charge/(credited) to statement of comprehensive income	(697)	(6 898)	1 416	7 874	173	1 810	3 678
Acquisition of subsidiary	—	1 512	—	—	—	—	1 512
Disposal of subsidiary	81	—	26	553	(181)	(3)	476
At 31 May 2012	1 183	15 390	(4 509)	(9 836)	2 526	5 061	9 815
Charge/(credited) to statement of comprehensive income	(1 697)	(3 556)	(12 975)	(1 466)	(369)	1 392	(18 671)
Acquisition of subsidiaries	—	2 734	—	—	—	—	2 734
Disposal of subsidiaries	429	(1 260)	418	355	(355)	(55)	(468)
At 31 May 2013	(85)	13 308	(17 066)	(10 947)	1 802	6 398	(6 590)

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

	2013 R'000	2012 R'000
9. Deferred taxation (continued)		
Deferred tax asset comprises:		
Capital allowances	(876)	(1 372)
Provisions	(17 066)	(4 578)
Tax losses	(10 947)	(9 836)
Other	(2 351)	(1 546)
Total deferred tax asset	(31 240)	(17 332)
Deferred tax liability comprises:		
Capital allowances	791	2 555
Fair value gains	13 308	15 390
Provisions	—	69
Prepayments	1 802	2 526
Other	8 749	6 607
Total deferred tax liability	24 650	27 147
Net deferred tax (asset)/liability	(6 590)	9 815
The analysis of deferred tax assets and deferred tax liabilities is as follows:		
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	(6 159)	(5 200)
Deferred tax assets to be recovered within 12 months	(12 373)	(6 583)
Net deferred tax asset	(18 532)	(11 783)
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	10 542	43
Deferred tax liabilities to be recovered within 12 months	1 400	21 555
Net deferred tax liability	11 942	21 598
Net deferred tax (asset)/liability	(6 590)	9 815

Where deferred tax assets have been recognised in respect of entities which have incurred losses in the current or prior years, a formal process of assessment of the future profitability of the entity has been performed based on detailed budgets and cash flow forecasts. As a result, management believes that the current tax losses will be utilised within one to five years.

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of R33.2 million (2012: R23.1 million) in respect of losses amounting to R118.5 million (2012: R82.6 million) that can be carried forward against future taxable income.

There is no withholding tax that would be payable on any dividends received from the Group's associates and joint ventures and therefore no deferred tax has been raised in this regard.



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

	2013 R'000	2012 R'000
10. Financial assets at fair value through profit or loss		
Balance at the beginning of the year	—	10
Movements in financial assets at fair value through profit or loss	—	(10)
At the end of the year	—	—
Changes in the fair value of these assets are recorded in other expenses.		
This financial asset was disposed of in the prior year.		
11. Inventories		
Finished goods – airtime and related products	1 858 511	539 221
	1 858 511	539 221

Inventory impairments of R1.5 million (2012: R9.7 million) have been charged to the statement of comprehensive income and are included in other expenses.

Inventories with a cost of R17.7 billion (2012: R17.5 billion) were sold during the year and have been charged to the statement of comprehensive income and are included in changes of inventories of finished goods.

A general notarial bond is held by Investec Bank Limited over airtime up to R900 million (2012: R750 million).

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

	2013 R'000	2012 R'000
12. Trade and other receivables		
Trade receivables	1 427 759	1 367 827
Less: Provision for impairment	(7 639)	(12 025)
	1 420 120	1 355 802
Sundry debtors and prepayments	23 806	20 970
VAT	81 003	3 332
Receivables from related parties (refer to note 30)	14 436	7 546
	1 539 365	1 387 650

The carrying value of trade and other receivables approximates their fair value.

The Group's exposure to credit and currency risk relating to trade and other receivables is disclosed in note 3.

The ageing of trade receivables at the reporting date is as follows:

	Gross R'000	Impairment R'000	Net R'000
31 May 2013			
Fully performing	1 381 922	—	1 381 922
Past due by one to 30 days	27 992	543	27 449
Past due by 31 to 60 days	7 969	281	7 688
Past due by 61 to 90 days	5 551	749	4 802
Past due by more than 90 days	22 463	6 066	16 397
	1 445 897	7 639	1 438 258
31 May 2012			
Fully performing	1 306 219	585	1 305 634
Past due by one to 30 days	35 128	579	34 549
Past due by 31 to 60 days	3 782	395	3 387
Past due by 61 to 90 days	2 213	429	1 784
Past due by more than 90 days	32 193	10 037	22 156
	1 379 535	12 025	1 367 510

Receivables in respect of starter packs are included in fully performing debtors above.

Trade debtors are fair valued at a discount rate of 8% per annum (2012: 8% per annum) based on average debtors' days outstanding. The effect of discounting of the trade receivables balance of R3.702 million (2012: R4.162 million) is not taken into account in the above table.

The trade receivables that are neither past due nor impaired relate to a number of independent customers for whom there is no recent history of default.



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

	2013 R'000	2012 R'000
12. Trade and other receivables (continued)		
Provision for impairment of receivables		
Balance at the beginning of the year	12 025	14 064
Allowances made during the year	3 796	3 318
Disposal of subsidiaries	(2 335)	—
Amounts utilised and reversal of unutilised amounts	(5 847)	(5 357)
At 31 May	7 639	12 025
Impairment of receivables is determined after assessing the nature of the customer, their geographic location and specific circumstances.		
The Group believes that the above provision for impairment of receivables sufficiently covers the risk of default.		
There is a cession of trade receivables of R1.352 billion (2012: R1.317 billion) in favour of Investec Bank Limited as security for facilities referred to in note 3.		
13. Cash and cash equivalents		
Cash at bank	941 216	1 974 793
Cash on hand	66	449
	941 282	1 975 242
Guarantees to the value of R0.66 billion (2012: R1.06 billion) are issued by Investec Bank Limited in favour of suppliers, on behalf of the Group.		

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

14. Assets and liabilities of disposal group classified as held-for-sale and discontinued operation

Plan to dispose of Africa Prepaid Services Nigeria Limited

In the 2011 financial year, the board of directors committed to disposing of the majority of assets and liabilities of Africa Prepaid Services Nigeria Limited to a third party in Nigeria. The sale was concluded on 15 June 2011. The Group has recognised the assets and liabilities of this disposal group at fair value less cost to sell. Fair value has been determined based on prices set as per the sales agreement.

Analysis of profit for the year from discontinued operation

The results of the discontinued operation of Africa Prepaid Services Nigeria, which were included in the consolidated statement of comprehensive income in the prior year, are set out below.

The discontinued operation was contained in the international segment.

	Note	2013 R'000	2012 R'000
Profit for the year from discontinued operation			
Revenue		—	6 690
Changes in inventories of finished goods		—	(6 535)
Employee compensation and benefit expense		—	(1 576)
Other expenses		—	(13 676)
Operating loss	21	—	(15 097)
Finance income		—	4
Net loss before taxation from discontinued operation		—	(15 093)
Taxation		—	(362)
Net loss for the year from discontinued operation		—	(15 455)
Other comprehensive (loss)/income from discontinued operation:			
Foreign currency translation reserve recycled to profit or loss		—	—
Other comprehensive profit for the year, net of tax		—	—
Total comprehensive loss for the year		—	(15 455)
Cash flows from discontinued operation			
Operating cash flows		—	(8 850)
Investing cash flows		—	—
Total cash flows		—	(8 850)

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

	2013 Number of shares	2012 Number of shares	2013 R'000	2012 R'000
15. Share capital				
Authorised				
Total authorised share capital of ordinary shares (par value of R0.000001 each)	1 000 000 000	1 000 000 000	1	1
Issued				
Balance at the beginning of the year	661 501 917	756 269 004	*	*
Shares acquired during the year	(2 567 171)	(95 078 724)	*	*
Shares vested during the year	2 700 512	311 637	*	*
Balance at the end of the year	661 635 258	661 501 917	*	*

* Less than R1 000.

The total number of shares in issue, including shares held as treasury shares as at 31 May 2013, is 674 509 042 (2012: 674 509 042).

The Company acquired 2 567 171 (2012: 3 226 872) shares on the JSE in order to grant forfeitable shares to employees and directors.

The amount paid to acquire these shares was R17 222 717 (2012: R16 095 018). An amount of R17 222 717 (2012: R16 095 018) has been deducted from shareholders' equity.

These shares are held as "treasury shares".

See note 33 for details on the forfeitable shares.

In the prior year, the Company acquired 91 851 852 shares from Microsoft Corporation representing 11.99% of the Blue Label ordinary shares in issue prior to the specific repurchase. The amount paid for these shares, including transaction costs, was R392 377 518. These shares were cancelled in the prior year.

The directors of the Company have unrestricted authority until the following annual general meeting to allot and issue, other than for cash, as they in their discretion deem fit, the unissued ordinary shares of the Company as at 31 May 2012, subject to the provisions of the memorandum of incorporation of the Company, the Companies Act and the Listings Requirements of the JSE.

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

	2013 R'000	2012 R'000
16. Borrowings		
Interest-bearing borrowings	1 980	—
Non-interest-bearing borrowings	12 017	12 017
	13 997	12 017
<i>Less:</i> Amounts included in current portion of borrowings	(13 997)	(12 017)
	—	—
The Group did not default on any loans or breach any terms of the underlying agreements during the period. The carrying value of interest-bearing borrowings approximates their fair value. Borrowings are unsecured and have no fixed terms of repayment. Interest-bearing borrowings bear interest at prime + 2%.		
17. Trade and other payables		
Trade payables	2 221 412	1 771 367
Accruals	144 980	114 810
Sundry creditors	20 850	3 318
VAT	5 455	67 519
Payables to related parties (refer to note 30)	525	3 216
	2 393 222	1 960 230
<i>Less:</i> Amounts included in current portion of trade and other payables	(2 393 222)	(1 931 204)
	—	29 026
Trade creditors are fair valued at a discount rate of 8% per annum (2012: 8% per annum) based on average creditors' days outstanding.		
18. Provision		
Opening balance	6 260	8 676
Additions	535 279	379 684
Used during the year	(522 510)	(382 100)
	19 029	6 260
The provision raised represents the value of electricity vouchers sold and unredeemed as at year end, payable by the Group to the municipalities on redemption by the end customer.		
Redemption is dependent on activation by customers. This is expected to occur within the first quarter of the following financial year.		



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

	2013 R'000	2012 R'000
19. Revenue		
Continuing operations		
Prepaid airtime	17 836 001	17 679 209
Starter packs	601 110	507 501
Services	282 312	285 610
Electricity commission	113 434	84 505
Other revenue	151 353	158 565
	18 984 210	18 715 390
Discontinued operation		
Prepaid airtime	—	6 690
	—	6 690
20. Employee compensation and benefit expense		
Continuing operation		
Salaries and wages	257 447	250 062
Bonuses	58 455	53 874
Equity compensation	16 180	22 126
Other	819	1 768
	332 901	327 830
Average number of employees for the year was 1 157 (2012: 1 340)		
Discontinued operation		
Salaries and wages	—	1 576
	—	1 576
Average number of employees in the prior year was 1.		

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

	2013 R'000	2012 R'000
21. Operating profit		
The following items have been charged/(credited) in arriving at operating profit:		
Continuing operations		
Advertising and promotional expenses	11 079	3 526
Amortisation of intangible assets	78 930	66 686
Audit fees – services as auditors	11 816	11 524
Audit fees – other	942	1 349
Bank charges	5 344	13 935
Communication costs	6 290	8 065
Confidential once-off other income* ¹	—	(79 400)
Consulting fees	17 533	12 298
Courier and postage	3 311	3 739
Depreciation	36 911	39 588
Foreign exchange profit*	(8 101)	(8 741)
Impairment of loans	8 400	268
Impairment of trade receivables	8 381	20 830
Impairment of trade receivables – provision	(4 386)	(2 039)
Impairment of intangible assets	—	204
Impairment of property, plant and equipment	3 408	12 787
Impairment of goodwill	—	4 684
Impairment of inventory	1 453	9 686
Insurance	6 491	7 576
IT infrastructure costs and computer-related costs	19 480	17 978
Legal fees	34 693	20 329
Local travel	6 459	6 259
(Profit)/loss on disposal of subsidiaries	(120)	3 014
(Profit)/loss on disposal of joint ventures	(2 273)	3 025
Management fees paid	2 208	455
Management fees received*	(923)	(962)
Motor vehicle expenses	8 886	9 235
Operating lease rentals – equipment	3 568	3 600
Operating lease rentals – premises	29 948	30 627
Overseas travel	2 891	2 404
Printing and stationery	1 758	2 141
Profit on disposal of investments*	—	(615)
Profit on disposal of property, plant and equipment*	(789)	(90)
Repairs and maintenance	10 897	7 266

* Included in other income on the Group statement of comprehensive income.

¹ The source and circumstances of this receipt are prohibited by a confidentiality agreement.



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

	2013 R'000	2012 R'000
21. Operating profit (continued)		
Discontinued operation		
Audit fees – services as auditors	—	839
Bank charges	—	821
Communication costs	—	58
Computer-related (recoveries)/costs	—	(126)
Consulting fees	—	1 130
Courier and postage	—	25
Foreign exchange loss	—	5 431
Insurance recovered	—	(40)
Local travel	—	60
Motor vehicle expenses	—	120
Operating lease rentals – premises	—	794
Overseas travel	—	582
Printing and stationery	—	30
Rent and security	—	193
Repairs and maintenance	—	15

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

	2013 R'000	2012 R'000
22. Finance (income)/costs		
Interest paid		
Continuing operations		
– Bank	77	2 487
– Loans	23 196	573
– Other	494	247
– Discounting of payables	143 329	177 774
	167 096	181 081
Interest received		
Continuing operations		
– Bank	(34 361)	(57 172)
– Loans	(1 469)	(2 202)
– Other	(9 659)	(352)
– Discounting of receivables	(127 771)	(111 269)
	(173 260)	(170 995)
Discontinued operation		
– Bank	—	(4)
	—	(4)
Net finance (income)/cost – Continuing operations	(6 164)	10 086
Net finance income – Discontinued operation	—	(4)



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

	2013 R'000	2012 R'000
23. Taxation		
Current tax	215 075	178 917
Current year	214 899	175 969
Prior year adjustment	176	2 948
Deferred tax	(18 671)	3 678
Current year	(18 663)	2 640
Prior year adjustment	(8)	1 038
STC	—	11 480
	196 404	194 075
Profit before tax	604 509	629 004
Tax at 28%	169 263	176 121
Income not subject to tax	(4 524)	(538)
Expenses not deductible for tax purposes	7 473	6 766
Capital gains	55	(11 050)
STC	—	11 480
Utilisation of previously unrecognised tax losses	(1 199)	(5 101)
Tax effect of assessed losses not recognised	11 841	6 965
Share of losses from associates	13 251	5 554
Prior year adjustment	168	3 986
Effect of different tax dispensations	76	(108)
Tax charge	196 404	194 075

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

	2013	2012
24. Earnings per share		
(a) Basic		
Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.		
Profit from continuing operations attributable to equity holders of the Company (R'000)	424 841	443 597
Loss from discontinued operations attributable to equity holders of the Company (R'000)	—	(5 493)
Profit attributable to equity holders of the Company (R'000)	424 841	438 104
Weighted average number of ordinary shares in issue (thousands)	661 578	708 060
Basic earnings per share (cents per share)		
From continuing operations (cents per share)	64.22	62.65
From discontinued operations (cents per share)	—	(0.78)
	64.22	61.87



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

24. Earnings per share (continued)

(b) **Headline**

Headline earnings are calculated applying the principles contained in SAICA circular 3/2012.

The weighted average number of ordinary shares used, is the same as that used for the basic earnings per share.

	2013			
	Profit before tax and non-controlling interest R'000	Tax R'000	Non-controlling interest R'000	Headline earnings R'000
Profit attributable to equity holders of the Company	604 509	(196 404)	16 736	424 841
Profit on disposal of property, plant and equipment	(789)	221	6	(562)
Profit on disposal of subsidiaries	(120)	—	—	(120)
Profit on disposal of joint ventures	(2 273)	—	166	(2 107)
Impairment of property, plant and equipment	3 408	(954)	—	2 454
Headline earnings				424 506
Weighted average number of ordinary shares in issue (thousands)				661 578
Headline earnings per share (cents per share)				64.17

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

24. Earnings per share (continued)

(b) **Headline (continued)**

	2012			
	Profit before tax and non-controlling interest R'000	Tax R'000	Non-controlling interest R'000	Headline earnings R'000
Profit attributable to equity holders of the Company	613 911	(194 437)	18 630	438 104
Profit on disposal of property, plant and equipment	(90)	25	—	(65)
Loss on disposal of subsidiary	3 014	—	—	3 014
Loss on disposal of associate	3 025	—	—	3 025
Impairment of property, plant and equipment	12 787	(3 580)	—	9 207
Impairment of intangible asset	204	(57)	—	147
Impairment of goodwill	4 684	—	—	4 684
Profit on disposal of investment	(615)	115	139	(361)
Headline earnings				457 755
Weighted average number of ordinary shares in issue (thousands)				708 060
Headline earnings per share (cents per share)				64.65



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

24. Earnings per share (continued)

(c) Diluted – basic and headline

Diluted earnings per share are calculated by adjusting the number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The only dilutive potential ordinary shares of the Company are the forfeitable shares granted. For this calculation an adjustment is made for the number of shares that would be issued on vesting under the forfeitable share plan.

There are no potential dilutive instruments relating to the discontinued operations.

	2013	2012
Basic earnings (R'000)	424 841	438 104
Issued number of ordinary shares (thousands)	661 578	708 060
Adjusted for forfeitable shares (thousands)	10 727	10 518
Weighted average number of ordinary shares for dilutive earnings (thousands)	672 305	718 578
Dilutive basic earnings per share (cents per share)	63.19	60.97
Headline earnings (R'000)	424 506	457 755
Weighted average number of ordinary shares for dilutive headline earnings (thousands)	672 305	718 578
Dilutive headline earnings per share (cents)	63.14	63.70
(d) Core		
Core earnings per share is calculated after adding back the amortisation of intangible assets as a consequence of the purchase price allocations completed in terms of IFRS 3(R) – <i>Business Combinations</i>		
Reconciliation between net profit for the period and core net profit for the period:		
Net profit for the period (R'000)	424 841	438 104
Amortisation on intangibles raised through business combinations net of tax and non-controlling interest (R'000)	12 675	17 693
Core net profit for the period (R'000)	437 516	455 797
Weighted average number of ordinary shares in issue (thousands)	661 578	708 060
Core earnings per share (cents per share)	66.13	64.37

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

	2013	2012
25. Cash generated by operations		
Reconciliation of operating profit to cash generated by operating activities:		
Operating profit including discontinued operation	645 671	643 828
Adjustments for:		
Depreciation of property, plant and equipment	36 911	39 588
Amortisation of intangible assets	78 930	66 686
Impairment of property, plant and equipment	3 408	12 787
Impairment of intangible assets	—	204
Impairment of goodwill	—	4 684
Discounting of receivables recognised in revenue	127 771	111 269
Discounting of payables recognised in changes in inventories of finished goods	(143 329)	(177 774)
Impairment of loans	8 400	—
Profit on disposal of property, plant and equipment	(789)	(90)
Net (profit)/loss on disposal of subsidiaries	(120)	3 014
Net (profit)/loss on disposal of joint ventures	(2 273)	3 025
Equity compensation benefit scheme expense	16 180	22 126
Transaction with non-controlling interest reserve movement	—	(566)
Net unrealised forex profit	(8 037)	(9 001)
Changes in working capital (excluding the effects of acquisitions and disposals):		
(Increase)/decrease in inventories	(1 319 938)	472 922
Increase in trade and other receivables	(155 979)	(474 927)
Increase/(decrease) in trade and other payables	448 236	(97 573)
Decrease in loans receivable	3 570	6 781
Decrease in starter pack assets	4 004	29 446
	(257 384)	656 429
26. Taxation paid		
Balance outstanding at the beginning of the year	13 938	7 996
Taxation charge	215 075	190 759
Disposal of subsidiaries	(45)	69
Acquisition of subsidiaries	1 437	(143)
Translation differences	173	—
Net payable outstanding at the end of the year	(36 071)	(13 938)
	194 507	184 743



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

27. Disposal of subsidiaries 31 May 2013

Date disposed
% disposed

The carrying/fair value of the net assets disposed of:

Cash and cash equivalents
Property, plant and equipment
Intangible assets
Inventories
Receivables
Loans receivable
Deferred tax
Borrowings
Current tax liabilities
Payables

Carrying/fair value of subsidiary disposed of
Goodwill

Carrying/fair value of net assets disposed of
(Loss)/profit on disposal of subsidiary

Total proceeds on disposal
Less: Proceeds to be settled

Total proceeds on disposal received in cash
Less: Cash and cash equivalents in subsidiary

Cash inflow on disposal

1 September, 2012	1 January, 2013	
100	100	
Content Connect Africa Proprietary Limited R'000	Multiserv Proprietary Limited R'000	Total R'000
486	3 744	4 230
117	216	333
2 970	4 618	7 588
—	1 643	1 643
6 503	1 112	7 615
—	1 839	1 839
—	(468)	(468)
(3 130)	(6 068)	(9 198)
(45)	—	(45)
(7 620)	(4 291)	(11 911)
(719)	2 345	1 626
4 746	5 846	10 592
4 027	8 191	12 218
(2 027)	2 147	120
2 000	10 338	12 338
—	(7 853)	(7 853)
2 000	2 485	4 485
(486)	(3 744)	(4 230)
1 514	(1 259)	255

On 1 September 2012, Blue Label Telecoms Limited sold its 100% shareholding in Content Connect Africa Proprietary Limited to management for an amount of R2 million. The loss on disposal of R2 million has been recognised in the statement of comprehensive income.

On 1 January 2013, Blue Label Telecoms Limited sold its 100% shareholding in Multiserv Proprietary Limited for an amount of R10.3 million. The profit on disposal of R2.1 million has been recognised in the statement of comprehensive income.

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

27. Disposal of subsidiaries (continued)

31 May 2012

Date disposed

% disposed

	31 January, 2012 50.1 SharedPhone International Proprietary Limited R'000	Total R'000
The carrying/fair value of the net assets disposed of:		
Cash and cash equivalents	1 406	1 406
Property, plant and equipment	278	278
Intangible assets	25	25
Inventories	9 422	9 422
Receivables	3 978	3 978
Deferred tax	476	476
Borrowings	(5 958)	(5 958)
Current tax assets	69	69
Payables	(868)	(868)
Carrying/fair value of subsidiary disposed of:	8 828	8 828
Non-controlling interests	(4 406)	(4 406)
Goodwill	2 499	2 499
Carrying/fair value of net assets disposed of:	6 921	6 921
Loss on disposal of subsidiary	(3 014)	(3 014)
Total proceeds on disposal	3 907	3 907
Less: Cash and cash equivalents in subsidiary	(1 406)	(1 406)
Cash inflow on disposal	2 501	2 501

On 31 January 2012, Blue Label Telecoms Limited sold its 50.1% shareholding in SharedPhone International Proprietary Limited to the minority shareholder for an amount of R3.9 million. The loss on disposal of R3 million has been recognised in the statement of comprehensive income.



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

28. Business combinations

28.1 Acquisition of subsidiary

	Blue Label Engage Proprietary Limited R'000 Facilitator of loyalty programmes	Panacea Mobile Proprietary Limited R'000 SMS aggregator	TicketPros Proprietary Limited R'000 Ticketing solution
Date acquired	1 September 2012	1 September 2012	5 April 2013
% acquired	50.1	51	60
At 31 May 2013			
Assets	6 727	21 634	9 748
Liabilities	8 922	15 158	4 641
Revenue since acquisition	7 443	25 456	2 858
Profit/(loss) after tax since acquisition	(2 180)	4 476	187

Had the acquisitions of subsidiaries taken place at the beginning of the financial year they would have contributed R51.1 million to revenue and R4.1 million to net profit after tax. The actual contribution to revenue and net profit after tax for the year was R35.8 million and R2.5 million, respectively.

The fair value of the net assets approximated the assets acquired on acquisition date.

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

28. Business combinations (continued)

28.1 Acquisition of subsidiary (continued)

	Blue Label Engage Proprietary Limited R'000	Panacea Mobile Proprietary Limited R'000	TicketPros Proprietary Limited R'000	Total R'000
Cash and cash equivalents	14	2 963	14 153	17 130
Property, plant and equipment	13	113	452	578
Intangible assets*	—	5 263	5 368	10 631
Inventories	—	—	994	994
Receivables	110	2 145	1 210	3 465
Current tax liabilities	—	(1 015)	(422)	(1 437)
Borrowings	(114)	—	—	(114)
Deferred tax*	—	(1 474)	(1 260)	(2 734)
Payables	(39)	(2 206)	(12 336)	(14 581)
Fair value of subsidiaries acquired	(16)	5 789	8 159	13 932
Non-controlling interests	8	(2 837)	(3 263)	(6 092)
Fair value of net assets acquired	(8)	2 952	4 896	7 840
Goodwill	2 743	6 882	5 104	14 729
Total purchase consideration	2 735	9 834	10 000	22 569
Deferred purchase consideration	(335)	(2 334)	—	(2 669)
Settled in cash	2 400	7 500	10 000	19 900
Less cash and cash equivalents in subsidiary	(14)	(2 963)	(14 153)	(17 130)
Cash flow on acquisition	2 386	4 537	(4 153)	2 770

* Included in additions in note 5 is R5.3 million of software and R4.5 million of customer relationships which relate to the purchase price allocations performed for Panacea Mobile Proprietary Limited and TicketPros Proprietary Limited respectively in terms of IFRS 3(R): Business Combinations. Deferred tax to the value of R1.5 million and R1.3 million respectively was raised on recognition of this intangible asset.



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

28. Business combinations (continued)

28.1 Acquisition of subsidiary (continued)

TicketPros Proprietary Limited was acquired with the objective of acquiring a platform in order for Blue Label Telecoms Group companies to expand their product offering to existing TicketPros customers.

In most business acquisitions, there is a part of the cost that is not capable of being attributed in accounting terms to identifiable assets and liabilities acquired and is therefore recognised as goodwill. In the case of the acquisition of TicketPros Proprietary Limited, this goodwill is underpinned by a number of elements, which individually cannot be quantified. Most significant among these is management's experience and the relationships held by management.

Blue Label Engage Proprietary Limited was purchased with the objective of entering into the loyalty and customer engagement markets which meets the Group's objective of providing a holistic customer engagement strategy for potential customers and expands the Group's revenue streams.

In most business acquisitions, there is a part of the cost that is not capable of being attributed in accounting terms to identifiable assets and liabilities acquired and is therefore recognised as goodwill. In the case of the acquisition of Blue Label Engage Proprietary Limited, this goodwill is underpinned by a number of elements, which individually cannot be quantified. Most significant among these is management's experience and the relationships held by management.

The contingent consideration arrangement requires BLT to pay in cash the former owners of Blue Label Engage Proprietary Limited an additional amount arrived at by multiplying the amount by which the headline earnings of Blue Label Engage Proprietary Limited in its 2013 financial year exceeds R600 000 by four, capped at a maximum of an additional R2.6 million.

The potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between zero and R2.6 million.

The fair value of the contingent consideration arrangement R0.3 million was estimated by applying the income approach. The fair value estimates are based on a discount rate of 18.46% and assumed probability-adjusted profit in Blue Label Engage Proprietary Limited of R0.4 million.

Panacea Mobile Proprietary Limited was purchased with the objective of utilising their software system to grow and expand the Group's operations and revenues within the messaging market in South Africa and Africa. A large portion of the purchase price in this transaction was allocated to the internally generated software system which had not been capitalised separately within the company.

In most business acquisitions, there is a part of the cost that is not capable of being attributed in accounting terms to identifiable assets and liabilities acquired and is therefore recognised as goodwill. In the case of the acquisition of Panacea Mobile Proprietary Limited, this goodwill is underpinned by a number of elements, which individually cannot be quantified. Most significant among these is the synergy with other Blue Label Telecoms Group companies.

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

28. Business combinations (continued)

28.1 Acquisition of subsidiary (continued)

The contingent consideration arrangement requires BLT to pay in cash the former owners of Panacea Mobile Proprietary Limited an additional amount of up to R1.5 million (pro-rated) if the profit after tax for Panacea Mobile Proprietary Limited's 2013 financial year is no less than R4.2 million. An additional amount of up to R1.5 million (payable over 10 equal periods, capped at R150 000 per period), based on the achievement of certain criteria in respect of a customer contract being achieved by Panacea Mobile Proprietary Limited is also payable.

The potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between R1.5 million and R3 million.

The fair value of the contingent consideration arrangement of R2.3 million was estimated by applying the income approach. The fair value estimates are based on a discount rate of 18.46% and assumed probability-adjusted profit in Panacea Mobile Proprietary Limited of R4.2 million and R5.7 million respectively.

	Multiserv Proprietary Limited R'000
	Franchisor of retail outlets 1 January 2012 100
Date acquired	
% acquired	
At 31 May 2012	
Assets	7 697
Liabilities	7 725
Revenue since acquisition	3 467
Profit after tax since acquisition	774

Had this acquisition of subsidiary taken place at the beginning of the financial year they would have contributed R9 million to revenue and R0.3 million to net profit after tax. The actual contribution to revenue and net profit after tax for the year was R3.5 million and R0.8 million.

The fair value of the net assets approximated the assets acquired on 1 January 2012.



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

28. Business combinations (continued)

28.1 Acquisition of subsidiary (continued)

	Multiserv Proprietary Limited R'000
Cash and cash equivalents	897
Property, plant and equipment	370
Intangible assets*	5 481
Loan receivable	2 091
Inventories	1 552
Receivables	1 212
Current tax assets	143
Borrowings	(5 210)
Deferred tax*	(1 512)
Bank overdraft	(158)
Payables	(1 780)
Fair value of net assets acquired	3 086
Goodwill	5 847
Total purchase consideration	8 933
Loans acquired	5 068
Less cash and cash equivalents in subsidiary	(739)
Cash flow on acquisition	13 262

* Included in additions in note 5 is R5.4 million of franchise fees which relates to the purchase price allocation performed in terms of IFRS 3(R): Business Combinations. Deferred tax to the value of R1.5 million was raised on recognition of this intangible asset.

Multiserv Proprietary Limited was purchased with the objective of utilising their 165 stores located nationally as a platform for the Group's strategy of marketing its products and services on a retail basis. In most business acquisitions, there is a part of the cost that is not capable of being attributed in accounting terms to identifiable assets and liabilities acquired and is therefore recognised as goodwill. In the case of the acquisition of Multiserv Proprietary Limited, this goodwill is underpinned by a number of elements, which individually cannot be quantified. Most significant amongst these is their 165 pre-existing stores located nationally.

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

28. Business combinations (continued)

28.2 Acquisition of non-controlling interest's shareholding

	Africa Prepaid Services Nigeria Limited R'000	The Post Paid Company Proprietary Limited R'000
Initial acquisition		
% acquired	51	75
Further acquisition		
Date acquired	28 January 2013	1 October 2012
% acquired	24.01	25
At 31 May 2013		
Assets	21	33 676
Liabilities	41 858	33 566
Revenue	—	10 508
(Loss)/profit after tax since further acquisition	(12 317)	650



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

28. Business combinations (continued)

28.2 Acquisition of non-controlling interest's shareholding (continued)

The fair value of the net assets approximated the assets acquired on acquisition date.

	Africa Prepaid Services Nigeria Limited R'000	The Post Paid Company Proprietary Limited R'000	Total R'000
Non-controlling interests	(7 158)	(395)	(7 553)
Fair value of net assets acquired	(7 158)	(395)	(7 553)
Amounts transferred to transaction with non-controlling interest reserve	21 158	395	21 553
Total purchase consideration	14 000	*	14 000
Settled in cash	14 000	*	14 000
Cash flow on acquisition	14 000	*	14 000

* Less than R1 000.

On 28 January 2013 Blue Label Telecoms Limited acquired 24.01% of the issued share capital of Africa Prepaid Services Nigeria Limited from Citadella Holdings Corp for a purchase consideration of R14 million.

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

29. Commitments

Future operating lease commitments

The Group leases various offices under non-cancellable operating lease agreements. The lease terms are between one and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rates.

The Group also leases various equipment under cancellable operating lease agreements.

The Group is required to give six months' notice for the termination of the majority of these agreements.

The lease expenditure charged to the statement of comprehensive income during the year is disclosed in note 21.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2013 R'000	2012 R'000
Premises		
Payable within one year	27 288	25 905
Payable in two to five years	70 012	84 387
Payable in greater than five years	4 489	8 288
Equipment		
Payable within one year	1 424	3 011
Payable in two to five years	376	2 481
Payable in greater than five years	—	—
	103 589	124 072



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

30. Related party transactions

For details of subsidiaries, associates and joint ventures, refer to note 34. For details of the Company's directors, refer to the directors' report. ZOK Cellular Proprietary Limited, BSC Technologies Proprietary Limited, Black Ginger 59 Proprietary Limited, Dataforce Trading 240 Proprietary Limited, Moneyline 311 Proprietary Limited, PLL Investments Proprietary Limited, AloeCap Proprietary Limited, Stylco Proprietary Limited, Wildekrans Wine Estate Proprietary Limited, WBS Holdings Proprietary Limited, iBurst Proprietary Limited and Ellerine Bros. Proprietary Limited are related parties due to directors' shareholdings and the companies having certain common directorships.

For details of the shareholdings in the Company, refer to the directors' report.

For details on directors' emoluments refer to note 31.

The following transactions were carried out with related parties and all relate to continued operations:

	2013 R'000	2012 R'000
Sales to related parties		
BSC Technologies Proprietary Limited	613	1 112
Bela Phone Company Proprietary Limited	59	82
Blue Label Mexico S.A. de C.V.	5 255	2 161
iBurst Proprietary Limited	815	—
Smart Voucher Limited trading as Ukash	32	514
Stylco Proprietary Limited	11 094	—
ZOK Cellular Proprietary Limited	4 090	5 214
Purchases from related parties		
AloeCap Proprietary Limited	—	1 238
Bela Phone Company Proprietary Limited	245	496
Black Ginger 59 Proprietary Limited	3 072	6 780
Brett Levy	—	525
BSC Technologies Proprietary Limited	8 833	1 339
Demtrade 11 Proprietary Limited	—	13
PLL Investments Proprietary Limited	11	—
Smart Voucher Limited trading as Ukash	1 034	16 205
Stylco Proprietary Limited	3 692	102
Wildekrans Wine Estate Proprietary Limited	16	6
ZOK Cellular Proprietary Limited	52 398	68 466

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

30. Related party transactions (continued)

	2013 R'000	2012 R'000
Interest received from related parties		
2DFine Holdings Mauritius	8 575	1 213
Blue Label Mexico S.A. de C.V.	576	431
Demtrade 11 Proprietary Limited	—	12
Management fees received from related parties		
Bela Phone Company Proprietary Limited	—	100
Blue Label Mexico S.A. de C.V.	520	458
Datacision Proprietary Limited	—	404
Management fees paid to related parties		
BSC Technologies Proprietary Limited	122	—
Rent paid to related parties		
Ellerine Bros. Proprietary Limited	5 631	5 096
Dataforce Trading 240 Proprietary Limited	2 560	1 383
Moneyline 311 Proprietary Limited	5 631	5 096
PLL Investments Proprietary Limited	2 143	2 472
Dividends received from related parties		
Demtrade 11 Proprietary Limited	—	453
Loans to related parties		
2DFine Holdings Mauritius* (refer to note 6)	108 798	83 890
Bela Phone Company Proprietary Limited (refer to note 6)	—	2 260
Blue Label Mexico S.A. de C.V. (refer to note 6)	—	27 829
Oxigen Services India Private Limited (refer to note 6)	18 643	18 643
ZOK Cellular Proprietary Limited (refer to note 7)	19 582	23 148

* B Levy and M Levy have signed personal sureties for the loan owing by 2DFine Holdings Mauritius to Gold Label Investments Proprietary Limited. Their liability is limited to the difference between the sum of 50% of the loan owing and the value of 18.61% of the shares in Oxigen Services India (Private) Limited on the 30th day after which the loan becomes due and payable or extended date as may be agreed in writing by Gold Label Investments Proprietary Limited.



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

30. Related party transactions (continued)

	2013 R'000	2012 R'000
Amounts due from related parties included in trade receivables		
Bela Phone Company Proprietary Limited	—	331
Black Ginger 59 Proprietary Limited	2 184	749
Blue Label Mexico S.A. de C.V.	9 423	2 745
BSC Technologies Proprietary Limited	20	112
Datacision Proprietary Limited	—	2 212
iBurst Proprietary Limited	1 820	1 397
PLL Investments Proprietary Limited	27	—
Stylco Proprietary Limited	960	—
ZOK Cellular Proprietary Limited	2	—
	14 436	7 546
Amounts due to related parties included in trade payables		
Bela Phone Company Proprietary Limited	—	1 460
Black Ginger 59 Proprietary Limited	117	1 070
BSC Technologies Proprietary Limited	22	28
Smart Voucher Limited trading as Ukash	386	658
	525	3 216

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

	Blue Label Services as directors of Blue Label Telecoms Limited R'000	Salary and allowances R'000	Bonuses and per- formance- related payments R'000	Other benefits R'000	Subtotal R'000
31. Directors' and prescribed officer's emoluments					
For the year ended 31 May 2013					
Executive directors					
Levy, BM	—	6 303	7 695	109	14 107
Levy, MS	—	6 312	7 695	100	14 107
Pamensky, MV	—	5 335	3 784	71	9 190
Rivkind, DB	—	2 753	1 957	42	4 752
	—	20 703	21 131	322	42 156
Non-executive directors					
Nestadt, LM	795	—	—	—	795
Ellerine, K	194	—	—	—	194
Harlow, G	473	—	—	—	473
Lazarus, NN	421	—	—	—	421
Mthimunya, J	385	—	—	—	385
Vilakazi, JS	231	—	—	—	231
	2 499	—	—	—	2 499
Prescribed officer					
Suntup, DA	—	2 694	1 957	101	4 752
	—	2 694	1 957	101	4 752
	2 499	23 397	23 088	423	49 407



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

Services as directors of subsidiaries of Blue Label Telecoms Limited R'000	Salary and allowances from subsidiaries R'000	Bonuses and performance-related payments from subsidiaries R'000	Retirement and related benefits from subsidiaries R'000	Corporate finance and legal fees for services rendered to Blue Label Telecoms Group R'000	Total R'000	Fair value of forfeitable shares R'000
—	—	—	—	—	14 107	9 353
—	—	—	—	—	14 107	9 353
—	—	—	—	—	9 190	7 885
—	—	—	—	—	4 752	4 078
—	—	—	—	—	42 156	30 670
—	—	—	—	—	795	—
—	—	—	—	—	194	—
113	—	—	—	—	586	—
—	—	—	—	9 785	10 205	—
—	—	—	—	—	385	—
—	—	—	—	—	231	—
113	—	—	—	9 785	12 396	—
—	—	—	—	—	4 752	4 078
—	—	—	—	—	4 752	4 078
113	—	—	—	9 785	59 304	34 748

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

	Blue Label Services as directors of Blue Label Telecoms Limited R'000	Salary and allowances R'000	Bonuses and per- formance- related payments R'000	Other benefits R'000	Subtotal R'000
31. Directors' and prescribed officer's emoluments (continued)					
For the year ended 31 May 2012					
Executive directors					
Levy, BM	—	5 951	7 259	99	13 309
Levy, MS	—	5 958	7 259	92	13 309
Pamensky, MV	—	5 062	3 570	38	8 670
Rivkind, DB	—	2 599	1 846	38	4 483
	—	19 570	19 934	267	39 771
Non-executive directors					
Nestadt, LM	767	—	—	—	767
Ellerine, K	240	—	—	—	240
Harlow, G	567	—	—	—	567
Lazarus, NN	498	—	—	—	498
Mthimunye, J	298	—	—	—	298
Nyati, M	34	—	—	—	34
Tyalimpi, LM	160	—	—	—	160
Vilakazi, JS	69	—	—	—	69
	2 633	—	—	—	2 633
Prescribed officer					
Suntup, DA	—	2 546	1 846	91	4 483
	—	2 546	1 846	91	4 483
	2 633	22 116	21 780	358	46 887

The fair value of forfeitable shares per director has been included.

No director has a notice period of more than one year.

No director's service contract includes predetermined compensation as a result of termination that would exceed one year's salary and benefits.



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

Services as directors of subsidiaries of Blue Label Telecoms Limited R'000	Salary and allowances from subsidiaries R'000	Bonuses and performance-related payments from subsidiaries R'000	Retirement and related benefits from subsidiaries R'000	Corporate finance and legal fees for services rendered to Blue Label Telecoms Group R'000	Total R'000	Fair value of forfeitable shares R'000
—	—	—	—	—	13 309	7 635
—	—	—	—	—	13 309	7 635
—	—	—	—	—	8 670	6 201
—	—	—	—	—	4 483	3 329
—	—	—	—	—	39 771	24 800
—	—	—	—	—	767	—
—	—	—	—	—	240	—
50	—	—	—	651	1 268	—
—	—	—	—	5 144	5 642	—
—	—	—	—	—	298	—
—	—	—	—	—	34	—
—	—	—	—	—	160	—
—	—	—	—	—	69	—
50	—	—	—	5 795	8 478	—
—	—	—	—	—	4 483	3 329
—	—	—	—	—	4 483	3 329
50	—	—	—	5 795	52 732	28 129

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

	Issue date	Issue price
31. Directors' and prescribed officer's emoluments (continued)		
Forfeitable share scheme per director and prescribed officer		
For the year ended 31 May 2013		
Levy, BM	27 November 2009	5.85
Levy, BM	1 September 2010	4.70
Levy, BM	1 October 2011	4.50
Levy, BM	3 September 2012	6.71
Levy, MS	27 November 2009	5.85
Levy, MS	1 September 2010	4.70
Levy, MS	1 October 2011	4.50
Levy, MS	3 September 2012	6.71
Pamensky, MV	27 November 2009	5.85
Pamensky, MV	1 September 2010	4.70
Pamensky, MV	1 October 2011	4.50
Pamensky, MV	3 September 2012	6.71
Rivkind, DB	27 November 2009	5.85
Rivkind, DB	1 September 2010	4.70
Rivkind, DB	1 October 2011	4.50
Rivkind, DB	3 September 2012	6.71
Suntup, DA	27 November 2009	5.85
Suntup, DA	1 September 2010	4.70
Suntup, DA	1 October 2011	4.50
Suntup, DA	3 September 2012	6.71



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

Vesting date	Awards outstanding as at the beginning of the year	Number of shares awarded	Awards forfeited during the year	Awards vested during the year	Balance as at the end of the year
1 September 2012	343 060	—	(39 006)	(304 054)	—
31 August 2013	450 486	—	—	—	450 486
31 August 2014	470 507	—	—	—	470 507
31 August 2015	—	334 474	—	—	334 474
	1 264 053	334 474	(39 006)	(304 054)	1 255 467
1 September 2012	343 060	—	(39 006)	(304 054)	—
31 August 2013	450 486	—	—	—	450 486
31 August 2014	470 507	—	—	—	470 507
31 August 2015	—	334 474	—	—	334 474
	1 264 053	334 474	(39 006)	(304 054)	1 255 467
1 September 2012	250 148	—	(28 442)	(221 706)	—
31 August 2013	379 787	—	—	—	379 787
31 August 2014	396 667	—	—	—	396 667
31 August 2015	—	281 982	—	—	281 982
	1 026 602	281 982	(28 442)	(221 706)	1 058 436
1 September 2012	149 572	—	(17 007)	(132 565)	—
31 August 2013	196 409	—	—	—	196 409
31 August 2014	205 139	—	—	—	205 139
31 August 2015	—	145 829	—	—	145 829
	551 120	145 829	(17 007)	(132 565)	547 377
1 September 2012	149 572	—	(17 007)	(132 565)	—
31 August 2013	196 409	—	—	—	196 409
31 August 2014	205 139	—	—	—	205 139
31 August 2015	—	145 829	—	—	145 829
	551 120	145 829	(17 007)	(132 565)	547 377

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

	Issue date	Issue price
31. Directors' and prescribed officer's emoluments (continued)		
Forfeitable share scheme per director and prescribed officer (continued)		
For the year ended 31 May 2012		
Levy, BM	27 November 2009	5.85
Levy, BM	1 September 2010	4.70
Levy, BM	1 October 2011	4.50
Levy, MS	27 November 2009	5.85
Levy, MS	1 September 2010	4.70
Levy, MS	1 October 2011	4.50
Pamensky, MV	27 November 2009	5.85
Pamensky, MV	1 September 2010	4.70
Pamensky, MV	1 October 2011	4.50
Rivkind, DB	27 November 2009	5.85
Rivkind, DB	1 September 2010	4.70
Rivkind, DB	1 October 2011	4.50
Suntup, DA	27 November 2009	5.85
Suntup, DA	1 September 2010	4.70
Suntup, DA	1 October 2011	4.50



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

Vesting date	Awards outstanding as at the beginning of the year	Number of shares awarded	Awards forfeited during the year	Awards vested during the year	Balance as at the end of the year
1 September 2012	343 060	—	—	—	343 060
31 August 2013	450 486	—	—	—	450 486
31 August 2014	—	470 507	—	—	470 507
	793 546	470 507	—	—	1 264 053
1 September 2012	343 060	—	—	—	343 060
31 August 2013	450 486	—	—	—	450 486
31 August 2014	—	470 507	—	—	470 507
	793 546	470 507	—	—	1 264 053
1 September 2012	250 148	—	—	—	250 148
31 August 2013	379 787	—	—	—	379 787
31 August 2014	—	396 667	—	—	396 667
	629 935	396 667	—	—	1 026 602
1 September 2012	149 572	—	—	—	149 572
31 August 2013	196 409	—	—	—	196 409
31 August 2014	—	205 139	—	—	205 139
	345 981	205 139	—	—	551 120
1 September 2012	149 572	—	—	—	149 572
31 August 2013	196 409	—	—	—	196 409
31 August 2014	—	205 139	—	—	205 139
	345 981	205 139	—	—	551 120

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

32. Segmental summary

The Group's segment reporting follows the organisational structure as reflected in its internal management reporting systems, which are the basis for assessing the financial performance of the business segments and for allocating resources to these segments. Management's assessment of the Group's organisational structure takes the geographical location of the segments into account. All reporting segments located outside South Africa are included in the international distribution segment. Operations included in all other segments are located within South Africa.

Operating segments are reported internally to the chief operating decision-maker in a manner consistent with the financial statements. In addition, the chief operating decision-maker uses core net profit as a non-IFRS measure in evaluating the Group's performance on a segmental level. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors, who are responsible for making strategic decisions on behalf of the Blue Label Telecoms Group.

Historically, the technology segment was reported on separately. As the bulk of its function and services are interdependent in the distribution of airtime, electricity and starter packs, it is more prudent to house its expenditure in the South African distribution segment. Accordingly, the technology segment has been included in the South African distribution segment and the comparative segmental results have been restated in accordance with IFRS 8 – *Operating Segments*.

Transactions between reportable segments are conducted on the same terms as other transactions of a similar nature.



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

32. Segmental summary (continued)

At 31 May 2013, the Group is managed on the basis of five main business segments:

- South African distribution, which includes the distribution of physical and virtual prepaid airtime and electricity of the South African mobile/fixed-line network operators and utility suppliers, and the distribution of starter packs in South Africa.
- International distribution, which includes international distribution of physical and virtual prepaid airtime in India and Africa, and the distribution of starter packs in Africa.
- Mobile, which includes the provision of a complete mobile transactional ecosystem and services-provisioning platform delivering mobile-centric products and services through any mobile channel, including location-based and WASP services, and music and digital content provision.
- Solutions, which includes marketing of cellular and financial products and services through outbound telemarketing and other channels, provides inbound customer care and technical support, and markets data and analytics services.
- Corporate, which performs the head office administration function.

The segmental information in respect of the Group's discontinued operations has been excluded from the segmental summary below. The discontinued operations were contained in the international segment.

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

32. Segmental summary (continued)

The segment results for the year ended 31 May are as follows:

	Total		South African distribution	
	2013 R'000	2012 R'000	2013 R'000	2012 R'000
Total segment revenue	24 720 865	30 173 943	24 363 215	29 883 770
Inter-segment revenue	(5 736 655)	(11 458 553)	(5 651 135)	(11 444 082)
Revenue	18 984 210	18 715 390	18 712 080	18 439 688
Segment result				
Operating profit/(loss) before depreciation, amortisation and impairment charges	713 622	750 482	796 439	737 488
Depreciation and amortisation	(56 143)	(78 348)	(48 450)	(52 679)
Impairment of property, plant and equipment	(3 408)	(12 737)	(3 408)	(12 737)
Impairment of intangible assets	—	(204)	—	(204)
Impairment of loans	(8 400)	(268)	(1 150)	—
Finance costs	(167 096)	(181 081)	(166 592)	(180 293)
Finance income	173 260	170 995	162 459	168 255
Share of (losses)/profits from associates and joint ventures	(47 326)	(19 835)	543	(510)
Taxation	(196 404)	(194 075)	(175 675)	(152 057)
Net profit/(loss) for the year	408 105	434 929	564 166	507 263
Reconciliation of net profit for the year to core net profit for the year				
Net profit/(loss) for the year	408 105	434 929	564 166	507 263
Amortisation of intangibles raised through business combinations net of tax	13 293	17 946	8 281	9 348
Core net profit/(loss) for the year	421 398	452 875	572 447	516 611
Core net profit/(loss) for the year attributable to:				
Equity holders of parent	437 516	461 289	570 766	513 130
Non-controlling interest	(16 118)	(8 414)	1 681	3 481
Non-cash items				
Net profit/(loss) on sale of subsidiaries	120	(3 014)	2 147	—
Net profit/(loss) on disposal of associates	2 273	(3 025)	1 400	—
Discounting of receivables	127 773	111 269	127 773	111 245
Discounting of payables	(143 329)	(177 774)	(143 329)	(177 774)



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

International distribution		Mobile		Solutions		Corporate	
2013 R'000	2012 R'000	2013 R'000	2012 R'000	2013 R'000	2012 R'000	2013 R'000	2012 R'000
—	17 429	220 393	96 084	137 257	176 660	—	—
—	—	(68 973)	(8 840)	(16 547)	(5 631)	—	—
—	17 429	151 420	87 244	120 710	171 029	—	—
(31 000)	(15 901)	37 055	97 359	24 703	38 927	(113 575)	(107 391)
—	(240)	(3 275)	(13 442)	(3 336)	(5 272)	(1 082)	(6 715)
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	(889)	(268)	(6 361)	—
(30)	(642)	(69)	(90)	(5)	(20)	(400)	(36)
8 593	1 420	541	24	482	490	1 185	806
(49 036)	(19 182)	—	—	1 167	(143)	—	—
(5 997)	(5 859)	(9 157)	(14 581)	(5 266)	(8 730)	(309)	(12 848)
(77 470)	(40 404)	25 095	69 270	16 856	24 984	(120 542)	(126 184)
(77 470)	(40 404)	25 095	69 270	16 856	24 984	(120 542)	(126 184)
4 176	3 841	798	4 692	38	65	—	—
(73 294)	(36 563)	25 893	73 962	16 894	25 049	(120 542)	(126 184)
(50 685)	(20 943)	24 787	73 962	13 190	21 324	(120 542)	(126 184)
(22 609)	(15 620)	1 106	—	3 704	3 725	—	—
—	—	(2 027)	—	—	—	—	(3 014)
—	—	—	—	873	—	—	(3 025)
—	—	—	—	—	24	—	—
—	—	—	—	—	—	—	—

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

32. Segmental summary (continued)

	Total		South African distribution	
	2013 R'000	2012 R'000	2013 R'000	2012 R'000
The segment assets and liabilities at 31 May are as follows:				
Assets excluding investments in associates and joint ventures	5 196 385	4 578 061	4 950 040	4 363 743
Investment in associates and joint ventures	524 162	357 471	—	318
Total assets	5 720 547	4 935 532	4 950 040	4 364 061
Additions to non-current assets				
Property, plant and equipment	20 042	29 900	15 862	24 156
Intangible assets and goodwill	297 501	146 283	294 331	143 386
Investment in associates	138 174	—	—	—
Investment in joint ventures	—	—	—	—
Total liabilities	(2 477 694)	(2 021 146)	(2 331 195)	(1 908 886)

The company is domiciled in the Republic of South Africa. The result of its revenue from external customers in South Africa is R18.984 billion (2012: R18.698 billion), and the total of revenue from external customers from other countries is nil (2012: R17.4 million).

The total of non-current assets other than financial instruments and deferred tax assets located in South Africa is R841 million (2012: R647 million), and the total of these non-current assets located in other countries is R481 million (2012: R333 million).

The South African distribution segment includes revenue earned from a single external customer totalling R3.577 billion (2012: R1.810 billion).

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

	International distribution		Mobile		Solutions		Corporate	
	2013 R'000	2012 R'000	2013 R'000	2012 R'000	2013 R'000	2012 R'000	2013 R'000	2012 R'000
	(40 633)	(18 836)	94 581	62 278	144 172	136 758	48 225	34 118
	522 345	356 330	—	—	1 817	1 239	—	(416)
	481 712	337 494	94 581	62 278	145 989	137 997	48 225	33 702
	—	—	2 530	1 009	781	4 121	869	614
	—	—	2 500	2 299	661	349	9	249
	138 174	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
	(22 238)	(17 436)	(39 036)	(16 187)	(32 086)	(33 011)	(53 139)	(45 626)

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

33. Equity compensation benefit

Forfeitable shares

During the year, 3 496 103 (2012: 4 828 644) forfeitable shares were granted to executive directors and qualifying employees (participant). The participant will forfeit the forfeitable shares if he/she ceases to be an employee of an employer company before the vesting date or if the specified performance conditions have not been met, unless otherwise specified by the rules or determined by the board. In the event that the participant is not in the employ of the Group, or the performance conditions are not met, then the shares allocated to the participant will be forfeited and will either be sold on the open market by the escrow agent and the proceeds will be returned to the participating employer, or may be retained by the Group for future awards.

Dividends declared in respect of these forfeitable shares are held in escrow until such time as the performance conditions are met and the shares have vested. Shares forfeited during the vesting period will forfeit any dividends pertaining to such shares. A dividend of 23 cents (2012: 14 cents) per ordinary share was declared on 20 August 2012 (2012: 23 August 2011).

The performance conditions for the second award grant of forfeitable shares vesting on 1 September 2012 are as follows:

- 25% of the shares constituting the allocation are awarded for retention purposes and shall vest if the employee is still employed in the Group at the vesting date (1 September 2012).
- 25% of the shares constituting the allocation will vest on the achievement by individual employees of their individual key performance indicators.
- 50% of shares constituting the allocation will vest if the Group's core HEPS is equal to or exceeds the core HEPS per ordinary share at the beginning of the performance period (1 June 2009), by the percentage change in the CPI over the performance period, plus 15%. There is no linear vesting to this portion of the allocation.

The second award has now vested.

The performance condition for the third award grant of forfeitable shares vesting on 31 August 2013 are as follows:

- 25% of the shares constituting the allocation are awarded for retention purposes and shall vest if the employee is still employed in the Group at the vesting date (31 August 2013).
- 25% of the shares constituting the allocation will vest on the achievement by individual employees of their individual key performance indicators.
- 50% of shares constituting the allocation will vest if the Group's core HEPS is equal to or exceeds the core HEPS per ordinary share at the beginning of the performance period 1 June 2010, by the percentage change in the CPI over the performance period, plus 15%. There is no linear vesting to this portion of the allocation.



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

33. Equity compensation benefit (continued)

The performance condition for the retention award grant vesting in three equal tranches on 30 September 2010, 30 April 2011 and 30 April 2012 are as follows:

- 100% of the shares constituting the allocation are awarded for retention purposes and shall vest if the employee is still employed in the Group at the vesting dates.

The performance condition for the fourth award grant of forfeitable shares vesting on 31 August 2014 are as follows:

- 25% of the shares constituting the allocation are awarded for retention purposes and shall vest if the employee is still employed in the Group at the vesting date (31 August 2014).
- 25% of the shares constituting the allocation will vest on the achievement by individual employees of their individual key performance indicators.
- 50% of shares constituting the allocation will vest if the Group's core HEPS are equal to or exceeds the core HEPS per ordinary share at the beginning of the performance period 1 June 2011, by the percentage change in the CPI over the performance period, plus 15%. There is no linear vesting to this portion of the allocation.

The performance condition for the fifth award grant vesting at 31 August 2015 of forfeitable shares are as follows:

- 40% of the awards are allocated towards retention. In order to receive this portion of the allocation the employee is required to be employed within the Group at the vesting date (31 August 2015).
- 60% of the awards are allocated on the basis of 50% for growth in core headline earnings per share and 10% for shareholder returns.

The 50% for growth in core headline earnings will be based on the following achievements:

- If growth is 5% above CPI over three years, then 20% of the 50% will vest.
- If growth is 10% above CPI over three years, then an additional 50% (i.e. a total of 70%) of the 50% will vest.
- If growth is 25% above CPI over three years, then a further 30% (i.e. a total of 100%) of the 50% will vest.

The 10% for shareholder return will be based on a 10% compounded growth in the share price over the three-year vesting period measured with reference to the weighted average price per share during the month of the commencement of the allocation and the weighted average share price for the month during which the vesting takes place, plus dividends over the three-year period of no less than three times dividend cover on a grossed-up basis.

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

33. Equity compensation benefit (continued)

Movements in the number of forfeitable shares outstanding during the year are as follows:

	Grant date	Vesting date	Number of shares	Fair value of grant R'000
At 31 May 2011			8 677 979	44 910
Second award			3 540 559	20 648
Third award			4 750 020	22 325
Retention award			387 400	1 937
Granted during the year			4 828 644	21 729
Fourth award	1 October 2011	31 August 2014	4 828 644	21 729
Shares forfeited during the year			(1 067 904)	(5 503)
Second award			(456 755)	(2 608)
Third award			(535 386)	(2 516)
Retention award			(75 763)	(379)
Shares vested during the year			(311 637)	(1 558)
Retention award		30 April 2012	(311 637)	(1 558)



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

33. Equity compensation benefit (continued)

	Grant date	Vesting date	Number of shares	Fair value of grant R'000
At 31 May 2012			12 127 082	59 578
Second award			3 083 804	18 040
Third award			4 214 634	19 809
Fourth award			4 828 644	21 729
Granted during the year			3 496 103	23 459
Fifth award	3 September 2012	31 August 2015	3 496 103	23 459
Shares forfeited during the year			(1 285 962)	(6 382)
Second award			(383 291)	(2 242)
Third award			(389 810)	(1 832)
Fourth award			(512 861)	(2 308)
Shares vested during the year			(2 700 513)	(15 798)
Second award		1 September 2012	(2 700 513)	(15 798)
At 31 May 2013			11 636 710	60 857
Third award			3 824 824	17 977
Fourth award			4 315 783	19 421
Fifth award			3 496 103	23 459

Refer to note 20 for the expense recognised in the statement of comprehensive income relating to the equity compensation benefits.

The fair value of the shares is based on the value paid for the shares on the open market at grant date.

The total number of forfeitable shares issued to executive directors during the period is 1 096 759 (2012: 1 542 820).

The share-based payment expense in relation to these executive directors is R6.3 million (2012: R7.3 million).

Refer to the note 31 for details per director.

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

	Country	Number of issued ordinary shares	Percentage held
34. Interest in subsidiaries, associates and joint ventures 2013			
Subsidiaries			
Directly held:			
Subsidiaries of Blue Label Telecoms Limited			
Activi Deployment Services Proprietary Limited	RSA	100	100
Activi Technology Services Proprietary Limited	RSA	300	100
Africa Prepaid Services Proprietary Limited	RSA	150	72
Africa Prepaid Services Nigeria Limited	Nigeria	10 000 000	24,01
Airtime Xpress Proprietary Limited	RSA	200	100
Blue Label Distribution Proprietary Limited	RSA	100	100
Blue Label Engage Proprietary Limited	RSA	1 000	50,1
Blue Label One Proprietary Limited	RSA	300	100
Blue Label Investments Proprietary Limited	RSA	1 200 000	100
BLT USA Incorporated	USA	100	100
Budding Trade 1170 Proprietary Limited	RSA	100	100
Celebia Holdings Limited	Cyprus	100	100
Cellfind Proprietary Limited	RSA	1 000	100
Datacel Direct Proprietary Limited	RSA	100	100
Kwikpay SA Proprietary Limited	RSA	100	100
Matragon Proprietary Limited	RSA	100	100
Panacea Mobile Proprietary Limited	RSA	100	51
The Prepaid Company Proprietary Limited	RSA	10 000	100
The Post Paid Company Proprietary Limited	RSA	200	100
TicketPros Proprietary Limited	RSA	250	60
Transaction Junction Proprietary Limited	RSA	120	60
Uninex Proprietary Limited	RSA	100	100
Ventury Group Proprietary Limited	RSA	2 000	100
Virtual Voucher Proprietary Limited	RSA	200	100



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

	Country	Number of issued ordinary shares	Percentage held
34. Interest in subsidiaries, associates and joint ventures (continued)			
2013 (continued)			
Subsidiaries (continued)			
Indirectly held:			
Subsidiary of Blue Label Investments Proprietary Limited			
Gold Label Investments Proprietary Limited	RSA	1 000	100
Subsidiary of The Prepaid Company Proprietary Limited			
Little River Trading 181 Proprietary Limited trading as Crown Cellular	RSA	100	100
Subsidiary of Ventury Group Proprietary Limited			
Cigicell Proprietary Limited (refer to note 4 included in Group statement of changes in equity)	RSA	100	100
Subsidiary of Africa Prepaid Services Proprietary Limited			
Africa Prepaid Services Nigeria Limited	Nigeria	10 000 000	51
Subsidiaries of Datacel Direct Proprietary Limited			
Blue Label Call Centre Proprietary Limited	RSA	300	100
CNS Call Centre Proprietary Limited	RSA	1 000	100
Velociti Proprietary Limited	RSA	1 000	100
Blue Label Data Solutions Proprietary Limited	RSA	100	81
Subsidiary of 2DFine Holdings Mauritius			
2DFine Investments Mauritius	Mauritius	1	100

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

	Country	Number of issued ordinary shares	Percentage held
34. Interest in subsidiaries, associates and joint ventures (continued)			
2013 (continued)			
Associates			
Indirectly held:			
Associates of Gold Label Investments Proprietary Limited			
Smart Voucher Limited trading as Ukash	United Kingdom	57 375 861	17.25 *
Oxigen Services India (Private) Limited	India	14 244 294	37.22
Associates of Datacel Direct Proprietary Limited			
Dual Data Proprietary Limited	RSA	100	50 *
Joint ventures			
Joint venture of Blue Label Telecoms Limited			
Blue Label Mexico S.A. de C.V.	Mexico	4 500	45 **
Joint venture of Datacel Direct Proprietary Limited			
Datascision Proprietary Limited	RSA	100	50 **
Joint venture of Gold Label Investments Proprietary Limited			
2DFine Holdings Mauritius	Mauritius	2	50 **
Joint venture of 2DFine Investments Mauritius			
Oxigen Services India (Private) Limited	India	14 244 294	37.22 **

* Significant influence is demonstrated by the Company as a result of representation on the board of directors.

** Joint control is demonstrated by the composition of and decision-making powers afforded to the board of directors.



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

	Country	Number of issued ordinary shares	Percentage held
34. Interest in subsidiaries, associates and joint ventures (continued)			
2012			
Subsidiaries			
Directly held:			
Subsidiaries of Blue Label Telecoms Limited			
Activi Deployment Services Proprietary Limited	RSA	100	100
Activi Technology Services Proprietary Limited	RSA	300	100
Africa Prepaid Services Proprietary Limited	RSA	150	72
Airtime Xpress Proprietary Limited	RSA	200	100
Blue Label Distribution Proprietary Limited	RSA	100	100
Blue Label One Proprietary Limited	RSA	300	100
Blue Label Investments Proprietary Limited	RSA	1 200 000	100
BLT USA Incorporated	USA	100	100
Budding Trade 1170 Proprietary Limited	RSA	100	100
Celebia Holdings Limited	Cyprus	100	100
Cellfind Proprietary Limited	RSA	1 000	100
Content Connect Africa Proprietary Limited	RSA	100	100
Datacel Direct Proprietary Limited	RSA	100	100
Kwikpay SA Proprietary Limited	RSA	100	100
Matragon Proprietary Limited	RSA	100	100
The Prepaid Company Proprietary Limited	RSA	10 000	100
The Post Paid Company Proprietary Limited	RSA	200	75
Transaction Junction Proprietary Limited	RSA	120	60
Uninex Proprietary Limited	RSA	100	100
Ventury Group Proprietary Limited	RSA	2 000	100
Virtual Voucher Proprietary Limited	RSA	200	100

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

	Country	Number of issued ordinary shares	Percentage held
34. Interest in subsidiaries, associates and joint ventures (continued)			
2012 (continued)			
Subsidiaries (continued)			
Indirectly held:			
Subsidiary of Blue Label Investments Proprietary Limited			
Gold Label Investments Proprietary Limited	RSA	1 000	100
Subsidiaries of The Prepaid Company Proprietary Limited			
Little River Trading 181 Proprietary Limited trading as Crown Cellular	RSA	100	100
Multiserv Proprietary Limited	RSA	1 000	100
Subsidiary of Ventury Group Proprietary Limited			
Cigicell Proprietary Limited (refer to note 4 included in Group statement of changes in equity)	RSA	100	100
Subsidiary of Africa Prepaid Services Proprietary Limited			
Africa Prepaid Services Nigeria Limited	Nigeria	10 000 000	51
Subsidiaries of Datacel Direct Proprietary Limited			
Blue Label Call Centre Proprietary Limited	RSA	300	100
CNS Call Centre Proprietary Limited	RSA	1 000	100
Velociti Proprietary Limited	RSA	1 000	100
Blue Label Data Solutions Proprietary Limited	RSA	100	81
Subsidiary of 2DFine Holdings Mauritius			
2DFine Investments Mauritius	Mauritius	1	100

Business model and strategic objectives	Leadership	Governance	Operating performance	Financial performance	Shareholders' information and administration
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Notes to the Group annual financial statements continued

For the year ended 31 May 2013

	Country	Number of issued ordinary shares	Percentage held
34. Interest in subsidiaries, associates and joint ventures (continued)			
2012 (continued)			
Associates			
Indirectly held:			
Associates of Gold Label Investments Proprietary Limited			
Smart Voucher Limited trading as Ukash	United Kingdom	57 375 861	17.25*
Oxygen Services India (Private) Limited	India	14 244 294	37.22
Associate of Datacel Direct Proprietary Limited			
Dual Data Proprietary Limited	RSA	100	50*
Joint ventures			
Joint venture of Blue Label Telecoms Limited			
Blue Label Mexico S.A. de C.V.	Mexico	2 200	40**
Joint venture of The Prepaid Company Proprietary Limited			
Bela Phone Company Proprietary Limited	RSA	100	51**
Joint venture of Datacel Direct Proprietary Limited			
Datacion Proprietary Limited	RSA	100	50**
Joint ventures of Blue Label Data Solutions Proprietary Limited			
E-mail Marketing Solutions Proprietary Limited	RSA	100	40.5**
Betterquote Proprietary Limited	RSA	104	21.06**
Joint venture of Gold Label Investments Proprietary Limited			
2DFine Holdings Mauritius	Mauritius	2	50**
Joint venture of 2DFine Investments Mauritius			
Oxygen Services India (Private) Limited	India	14 244 294	37.22**
* Significant influence is demonstrated by the Company as a result of representation on the board of directors.			
** Joint control is demonstrated by the composition of and decision-making powers afforded to the board of directors.			

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

35. Subsequent events

A final dividend of R168.6 million (25 cents per ordinary share) was declared for the year ended 31 May 2013, payable on Monday, 16 September 2013 to shareholders recorded in the register at the close of business on Friday, 6 September 2013.

On 1 June 2013 Blue Label Telecoms acquired the remaining 49% of the issued share capital of Panacea Mobile Proprietary Limited and the remaining 40% of the issued share capital of TicketPros Proprietary Limited for a purchase consideration of R11.5 million and R4.7 million respectively.

In June 2013, the Group secured a distribution agreement with a leading reseller at a purchase price of R84 million. This will further enhance the Group's prominence in the distribution of prepaid services.

36. Litigation update

In December 2008 Africa Prepaid Services Proprietary Limited (APS), a subsidiary of Blue Label concluded a super dealer agreement with Multi-Links Telecommunications Limited (MLT), a wholly owned subsidiary of Telkom, at the time, in terms of which APS was appointed for a period of 10 years to market and distribute a range of products and services for MLT in Nigeria (the agreement).

In 2009 APS ceded and assigned all its rights and obligations in terms of the agreement to Africa Prepaid Services Nigeria Limited (APSN), a subsidiary of APS and Blue Label.

On 26 November 2010 APSN cancelled the agreement on the basis of MLT's wrongful repudiation of the agreement.

In June 2011 APSN launched arbitration proceedings in South Africa against MLT (the arbitration proceedings). APSN claims payment of USD457 million against MLT and MLT has counterclaimed for payment of the sum of USD123 million.

Telkom sold its shareholding in MLT to Hip Oils Topco Limited on 3 October 2011. In terms of an indemnity contained in the sale and purchase agreement, Telkom is liable for all amounts in excess of USD10 million in respect of APSN's claim against MLT.

The arbitration was due to commence in November 2012 but was postponed and is due to reconvene in February 2014.

Telkom and MLT have instituted an action in the High Court against Blue Label, APS, APSN and certain individuals, including a former senior executive of Telkom in the High Court for payment of an aggregate amount of USD724 million (the action).

The claim in the action is based, inter alia, on an alleged breach of the duty of care and alleged misrepresentations made by Blue Label together with alleged breaches of fiduciary duties on the part of the former senior Telkom executive, at the time the agreement was concluded, in respect of which it is alleged Blue Label was a party to.



Notes to the Group annual financial statements continued

For the year ended 31 May 2013

36. Litigation update (continued)

On 16 May 2013 Telkom and MLT obtained an order without notice to APSN in terms of which APSN's claim against MLT in the arbitration proceedings together with a costs order in APSN's favour were purportedly attached in order to give the High Court jurisdiction over APSN in the action (the ex parte order).

Telkom and MLT have conceded that there was no basis for the attachment and have abandoned the ex parte order. APSN is seeking a punitive order for costs against Telkom and MLT, which was set down for a hearing commencing on 19 August 2013. The High Court will simultaneously determine an application which has been launched by MLT to stop the arbitration proceedings, which is being opposed by APSN.

At the time of approving the annual financial statements the outcome of these proceedings is yet to be pronounced upon by the court. A further announcement will be made when the court delivers its judgment.

Company statement of financial position

As at 31 May 2013

	Note	2013 R'000	2012 R'000
Assets			
Non-current assets		3 234 767	3 105 121
Property, plant and equipment	3	23 601	30 351
Intangible assets	4	452	668
Deferred taxation asset	5	5 698	—
Investment in subsidiaries	6.1	3 040 190	3 019 621
Investment in joint ventures	6.2	164 826	54 481
Current assets		46 719	289 430
Loan receivable	7	—	6 299
Loans to subsidiaries	6.1	38 421	280 598
Trade and other receivables	8	7 190	1 333
Cash and cash equivalents	9	1 110	1 200
Total assets		3 281 488	3 394 551
Equity and liabilities			
Capital and reserves		3 077 661	3 297 458
Share capital	10	*	*
Share premium		4 012 359	4 012 359
Treasury shares		(39 403)	(38 077)
		3 972 956	3 974 282
Equity compensation benefit reserve		15 815	14 884
Share-based payment reserve		295	295
Accumulated loss		(911 405)	(692 003)
Non-current liabilities		—	2 208
Deferred taxation liability	5	—	2 208
Current liabilities		203 827	94 885
Trade and other payables	12	44 843	42 137
Loans from subsidiaries	13	150 858	51 638
Current tax liabilities		8 126	1 110
Total equity and liabilities		3 281 488	3 394 551

* Less than R1 000.



Company statement of comprehensive income

For the year ended 31 May 2013

	Note	2013 R'000	2012 R'000
Other income		107 950	111 133
Employee compensation and benefit expense	14	(80 173)	(76 277)
Depreciation, amortisation and impairment charges		(21 443)	(19 716)
Other expenses		(73 424)	(31 745)
Operating loss	15	(67 090)	(16 605)
Finance costs	16	(400)	(36)
Finance income	16	3 630	2 968
Net loss before taxation		(63 860)	(13 673)
Taxation	17	(405)	(8 046)
Net loss for the year		(64 265)	(21 719)
Other comprehensive income for the year, net of tax		—	—
Total comprehensive loss for the year		(64 265)	(21 719)

Company statement of changes in equity

For the year ended 31 May 2013

	Share capital R'000	Share premium R'000
Balance as at 31 May 2011	*	4 404 737
Net loss for the year	—	—
Comprehensive income	—	—
Total comprehensive loss	—	—
Shares purchased during the year	—	—
Shares acquired	—	(392 378)
Shares awarded to Group companies as part of equity-based compensation scheme	—	—
Shares forfeited by Group companies as part of equity-based compensation scheme	—	—
Equity-based compensation scheme shares vested	—	—
Equity-based compensation movements	—	—
Dividends paid	—	—
Balance as at 31 May 2012	*	4 012 359
Net loss for the year	—	—
Comprehensive income	—	—
Total comprehensive loss	—	—
Shares purchased during the year	—	—
Shares awarded to Group companies as part of equity-based compensation scheme	—	—
Shares forfeited by Group companies as part of equity-based compensation scheme	—	—
Equity-based compensation scheme shares vested	—	—
Equity-based compensation movements	—	—
Dividends paid	—	—
Balance as at 31 May 2013	*	4 012 359

* Less than R1 000.



Company statement of changes in equity continued

For the year ended 31 May 2013

Treasury shares R'000	Equity-based compensation reserve R'000	Share-based payment reserve R'000	Accumulated loss R'000	Total equity R'000
(29 682)	4 999	295	(563 240)	3 817 109
—	—	—	(21 719)	(21 719)
—	—	—	—	—
—	—	—	(21 719)	(21 719)
(16 095)	—	—	—	(16 095)
—	—	—	—	(392 378)
12 278	—	—	—	12 278
(5 035)	—	—	—	(5 035)
457	(457)	—	—	—
—	10 342	—	—	10 342
—	—	—	(107 044)	(107 044)
(38 077)	14 884	295	(692 003)	3 297 458
—	—	—	(64 265)	(64 265)
—	—	—	—	—
—	—	—	(64 265)	(64 265)
(17 223)	—	—	—	(17 223)
13 719	—	—	—	13 719
(5 029)	—	—	—	(5 029)
7 207	(7 207)	—	—	—
—	8 138	—	—	8 138
—	—	—	(155 137)	(155 137)
(39 403)	15 815	295	(911 405)	3 077 661

Company statement of cash flows

For the year ended 31 May 2013

	Note	2013 R'000	2012 R'000
Cash flows from operating activities	18	8 526	48 913
Finance income	16	3 630	2 968
Finance costs	16	(400)	(36)
Taxation paid	19	(1 295)	(10 950)
Dividends received		—	4 798
Net cash flows from operating activities		10 461	45 693
Cash flows from investing activities			
Acquisition of property, plant and equipment	3	(868)	(614)
Proceeds on sale of property, plant and equipment		474	—
Acquisition of intangible assets	4	(9)	(249)
Loans repaid by subsidiaries		248 492	522 039
Loans advanced to subsidiaries		(38 586)	(28 298)
Acquisition of subsidiaries		(36 569)	—
Proceeds on sale of subsidiary		—	3 907
Acquisition of joint venture		(110 345)	—
Loans granted to associate and joint venture		—	(27 572)
Net cash flows from investing activities		62 589	469 213
Cash flows from financing activities			
Borrowings raised from subsidiaries	13	99 220	—
Dividends paid		(155 137)	(107 044)
Acquisition of shares		—	(392 378)
Treasury shares acquired		(17 223)	(16 095)
Net cash flows from financing activities		(73 140)	(515 517)
Decrease in cash and cash equivalents		(90)	(611)
Cash and cash equivalents at the beginning of the period		1 200	1 811
Cash and cash equivalents at the end of the period	9	1 110	1 200



Notes to the Company annual financial statements

For the year ended 31 May 2013

1. Accounting policies

The accounting policies applied to the Company annual financial statements are consistent with the Group accounting policies as detailed on pages 113 to 133.

2. Financial risks

In the course of its business, the Company is exposed to a number of financial risks: credit risk, liquidity risk and market risk (including foreign currency and other price risk). This note presents the Company's objectives, policies and processes for managing its financial risk and capital.

Credit risk

Credit risk arises because a counterparty may fail to meet its obligations to the Company. The Company is exposed to credit risks on financial instruments such as receivables, loans receivable and cash.

Trade and other receivables consist primarily of invoiced amounts owing from related parties. The recoverability of these amounts are regularly monitored with reference to the counterparties' financial performance. Where necessary, a provision for impairment is made.

The Company places cash and cash equivalents with major banking companies and quality institutions that have high credit ratings.

Loans are only granted to holders with an appropriate credit history, taking into account the holder's financial position and past experience.

The Company's maximum credit risk exposure is the carrying amount of all financial assets on the statement of financial position and sureties provided with the maximum amount the Company could have to pay if the sureties are called on amounting to R900 million (2012: R852 million).

Notes to the Company annual financial statements continued

For the year ended 31 May 2013

	2013 R'000	2012 R'000
2. Financial risks (continued)		
Loans receivable		
Group 1	—	—
Group 2	38 421	286 897
Group 3	—	—
	38 421	286 897
Trade receivables		
Counterparties without external credit rating		
Group 1	—	—
Group 2	6 443	364
Group 3	—	—
Total unimpaired trade receivables	6 443	364

The rating groups for counterparties without external credit ratings are categorised as follows:

Group 1 – New customers/related parties (less than six months).

Group 2 – Existing customers/related parties (more than six months) with no defaults in the past.

Group 3 – Existing customers/related parties (more than six months) with some defaults in the past. All defaults were fully recovered.

Cash at bank and short-term bank deposits

Credit rating based on latest Fitch local currency long-term issuer default ratings.

	2013 R'000	2012 R'000
BBB+	—	417
BBB	305	783
BBB-	805	—
	1 110	1 200



Notes to the Company annual financial statements continued

For the year ended 31 May 2013

2. Financial risks (continued)

Liquidity risk

Liquidity risk arises when a company encounters difficulties to meet commitments associated with liabilities and other payment obligations. The Company's objective is to maintain prudent liquidity risk management by maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Company finance monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs. Due to the dynamic nature of the underlying businesses, the Company aims to maintain flexibility in funding by keeping committed credit lines available.

Management is satisfied as to the liquidity of the Company since the majority of the current liabilities relate to the loans from subsidiaries. These subsidiaries are 100% held by the Company and therefore the Company has control of their assets including cash resources.

The Company and a subsidiary company have issued a cross surety in respect of a guarantee and overdraft facility in the amount of R19.8 million in favour of FNB, a division of FirstRand Bank Limited. This facility was unutilised as at 31 May 2013. In addition, the Company and four of its subsidiaries have issued a cross surety in the amount of R1.7 million.

Maturity of financial liabilities

	Less than one month or on demand R'000	More than one month but not exceeding one year R'000	Payable in: More than one year but not exceeding two years R'000	More than two years but not exceeding five years R'000	More than five years R'000
2013					
Loans from subsidiaries	150 858	—	—	—	—
Trade and other payables*	1 642	7 596	—	—	—
Total	152 500	7 596	—	—	—
2012					
Loans from subsidiaries	51 638	—	—	—	—
Trade and other payables*	445	5 614	—	—	—
Total	52 083	5 614	—	—	—

* Trade and other payables exclude non-financial instruments being VAT and certain amounts within accruals and sundry creditors.

Notes to the Company annual financial statements continued

For the year ended 31 May 2013

2. Financial risks (continued)

Market risk

The Company is exposed to risks from movements in foreign exchange rates and interest rates that affect its assets, liabilities and anticipated future transactions.

Cash flow and fair value interest rate risk

The Company's cash flow interest rate risk arises from loans receivable and cash and cash equivalents. The Company is not exposed to fair value interest rate risk as the Company does not have any fixed interest-bearing instruments carried at fair value nor any interest-bearing borrowings.

As part of the process of managing the Company's exposure to interest rate risk, interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates.

Foreign currency risk

The Company is exposed to foreign currency risk from transactions. Transaction exposure arises due to the Company granting loans to affiliated companies in foreign currencies.

The Company manages its exposure to foreign currency risk by ensuring that the net foreign currency exposure remains within acceptable levels. Hedging instruments are used in certain instances to reduce risks arising from foreign currency fluctuations. The Company did not enter into any forward exchange contracts during the period under review.

IFRS 7 – Sensitivity analysis

The Company has used a sensitivity analysis technique that measures the estimated change to the income statement of either an instantaneous increase or decrease of 1% (100 basis points) in market interest rates or a 10% strengthening or weakening of the rand.

Interest rate risks

The interest rate sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect the interest income or expense of variable interest financial instruments; and
- Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interest rates if these are recognised at fair value.

Under these assumptions, a 1% increase or decrease in market interest rates at 31 May 2013 would increase or decrease profit before tax by R11 092 (2012: R12 002).



Notes to the Company annual financial statements continued

For the year ended 31 May 2013

2. Financial risks (continued)

Foreign currency risk

Financial instruments by currency

	2013		2012	
	ZAR R'000	Total R'000	ZAR R'000	Total R'000
Financial assets				
Cash	1 110	1 110	1 200	1 200
Trade and other receivables*	6 445	6 445	364	364
Loans to subsidiaries	38 419	38 419	280 598	280 598
Loans receivable	2	2	6 299	6 299
	45 976	45 976	288 461	288 461
Financial liabilities				
Non-interest-bearing borrowings	150 858	150 858	51 638	51 638
Trade and other payables*	9 238	9 238	6 059	6 059
	160 096	160 096	57 697	57 697
Net financial position	(114 120)	(114 120)	230 764	230 764

* Trade and other receivables and trade and other payables exclude non-financial instruments.

With a 10% strengthening or weakening in the rand against all other currencies, profit before tax would not be affected.

Capital risk

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust this capital structure, the Company may issue new shares, adjust the amount of dividends paid to shareholders, return capital to shareholders or sell assets to reduce debt.

The Company defines capital as capital and reserves and non-current borrowings.

The Company is not subject to externally imposed capital requirements. There were no changes to the Company's approach to capital management during the year.

Fair value measurement

For all short-term financial assets and liabilities, the carrying amount is regarded as an approximation of the fair value. The fair value of all non-current loans receivable and borrowings are calculated using a discounted cash flow model based on prevailing market interest rates where applicable.

Notes to the Company annual financial statements continued

For the year ended 31 May 2013

	Computer equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Office equip- ment R'000	Leasehold improve- ments R'000	Total R'000
3. Property, plant and equipment						
Year ended 31 May 2013						
Opening carrying amount	127	965	761	1 386	27 112	30 351
Additions	34	8	782	10	34	868
Disposals	—	—	(401)	—	—	(401)
Depreciation charge	(92)	(308)	(235)	(857)	(5 725)	(7 217)
Closing carrying amount	69	665	907	539	21 421	23 601
At 31 May 2013						
Cost	810	2 030	1 327	2 313	39 007	45 487
Accumulated depreciation	(741)	(1 365)	(420)	(1 774)	(17 586)	(21 886)
Carrying amount	69	665	907	539	21 421	23 601
Year ended 31 May 2012						
Opening carrying amount	203	1 270	424	1 574	32 783	36 254
Additions	41	—	525	10	38	614
Depreciation charge	(117)	(305)	(188)	(198)	(5 709)	(6 517)
Closing carrying amount	127	965	761	1 386	27 112	30 351
At 31 May 2012						
Cost	776	2 022	1 070	2 303	38 973	45 144
Accumulated depreciation	(649)	(1 057)	(309)	(917)	(11 861)	(14 793)
Carrying amount	127	965	761	1 386	27 112	30 351



Notes to the Company annual financial statements continued

For the year ended 31 May 2013

	Computer software R'000	Other R'000	Total R'000
4. Intangible assets			
Year ended 31 May 2013			
Opening carrying amount	213	455	668
Additions	9	—	9
Amortisation charge	(85)	(140)	(225)
Closing carrying amount	137	315	452
At 31 May 2013			
Cost	2 554	700	3 254
Accumulated depreciation	(2 417)	(385)	(2 802)
Carrying amount	137	315	452
Year ended 31 May 2012			
Opening carrying amount	23	595	618
Additions	249	—	249
Amortisation charge	(59)	(140)	(199)
Closing carrying amount	213	455	668
At 31 May 2012			
Cost	2 545	700	3 245
Accumulated depreciation	(2 332)	(245)	(2 577)
Carrying amount	213	455	668

Notes to the Company annual financial statements continued

For the year ended 31 May 2013

	2013 R'000	2012 R'000
5. Deferred taxation		
At the beginning of the year	2 208	2 427
(Charged)/credited to the statement of comprehensive income:		
– Provisions	(7 677)	5
– Capital allowances	(49)	(49)
– Equity compensation benefit	70	291
– Other	(250)	(466)
At the end of the year	(5 698)	2 208
Deferred taxation comprises:		
– Provisions	(7 791)	(114)
– Capital allowances	185	234
– Equity compensation benefit	3 354	3 284
– Other	(1 446)	(1 196)
	(5 698)	2 208
The analysis of deferred tax assets and deferred tax liabilities is as follows:		
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	251	—
Deferred tax assets to be recovered within 12 months	(5 949)	—
	(5 698)	—
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	—	401
Deferred tax liabilities to be recovered within 12 months	—	1 807
	—	2 208
Net deferred tax (asset)/liability	(5 698)	2 208
Where deferred tax assets have been recognised, a formal process of assessment of the future profitability of the Company has been performed based on detailed budgets and cash flow forecasts. As a result, management believes that the current tax losses will be utilised within one to five years.		



Notes to the Company annual financial statements continued

For the year ended 31 May 2013

	2013 R'000	2012 R'000
6. Investments in Group companies and related loans		
6.1 Investments in subsidiaries and related loans		
Shares at cost less amounts written off	3 040 190	3 019 621
Loans owing by subsidiaries less amounts written off	38 421	280 598
	3 078 611	3 300 219

Details are reflected below:

	Shares at cost R'000	Loans owing by subsidiaries R'000	Provision for impairment R'000
2013			
Activi Technology Services Proprietary Limited	*	—	—
Activi Deployment Services Proprietary Limited	5 060	—	—
Africa Prepaid Services Proprietary Limited ¹	61 520	57 904	(119 424)
Africa Prepaid Services Nigeria Limited ¹	14 000	5 113	(19 113)
Blue Label Distribution Proprietary Limited**	194 000	—	—
Blue Label Engage Proprietary Limited	2 735	—	—
Blue Label Investments Proprietary Limited	108 416	—	—
Blue Label One Proprietary Limited	40 000	—	—
BLT USA Inc	50 540	—	—
Budding Trade Proprietary Limited**	6 000	—	—
Celebia Holdings Limited	*	—	—
Cellfind SA Proprietary Limited	290 000	—	(141 841)
Cigicell Proprietary Limited	295	—	—
Datacel Direct Proprietary Limited	150 000	—	(16 073)
Gold Label Investments Proprietary Limited	29 400	187 055	(175 075)
Kwikpay SA Proprietary Limited**	22 500	—	—
Matragon Proprietary Limited**	*	—	—
Panacea Mobile Proprietary Limited	9 834	—	—
The Post Paid Company Proprietary Limited**	*	—	—
The Prepaid Company Proprietary Limited**	2 150 214	—	—
TicketPros Proprietary Limited	10 000	—	—
Transaction Junction Proprietary Limited	4 200	—	—
Uninex Proprietary Limited	*	976	—
Velociti Proprietary Limited	7 185	—	—
Ventury Group Proprietary Limited**	98 406	—	—
Virtual Voucher Proprietary Limited**	44 784	—	—
	3 299 089	251 048	(471 526)

Notes to the Company annual financial statements continued

For the year ended 31 May 2013

6. Investments in Group companies and related loans (continued)

6.1 Investments in subsidiaries and related loans (continued)

	Shares at cost R'000	Loans owing by subsidiaries R'000	Provision for impairment R'000
2012			
Activi Technology Services Proprietary Limited	*	—	—
Activi Deployment Services Proprietary Limited	5 060	—	—
Africa Prepaid Services Proprietary Limited ¹	61 520	26 773	(83 574)
Blue Label Distribution Proprietary Limited**	194 000	—	—
Blue Label Investments Proprietary Limited	108 416	—	—
Blue Label One Proprietary Limited	40 000	—	—
BLT USA Inc ²	50 540	—	—
Budding Trade Proprietary Limited**	6 000	—	—
Celebia Holdings Limited	*	—	—
Cellfind SA Proprietary Limited	290 000	—	(141 841)
Cigicell Proprietary Limited	295	—	—
Content Connect Africa Proprietary Limited	27 000	—	(25 000)
Datacel Direct Proprietary Limited ¹	150 000	—	(16 073)
Gold Label Investments Proprietary Limited	29 400	184 714	(175 075)
Kwikpay SA Proprietary Limited	22 500	—	—
Matragon Proprietary Limited**	*	—	—
The Post Paid Company Proprietary Limited**	*	—	—
The Prepaid Company Proprietary Limited**	2 150 214	236 794	—
Transaction Junction Proprietary Limited	4 200	—	—
Uninex Proprietary Limited	*	976	—
Velociti Proprietary Limited	7 185	3 005	—
Ventury Group Proprietary Limited**	98 406	—	—
Virtual Voucher Proprietary Limited**	44 784	—	—
	3 289 520	452 262	(441 563)

* Less than R1 000.

** These investments have been pledged as security to Investec Bank Limited in terms of the facility. For details on percentage held, country of incorporation and issued shares, refer to note 34 in the Group notes. Refer to notes 15 and 21 for details on impairments.

¹ These loans bear interest at prime plus 2% and have no fixed terms of repayment. All other loans are interest-free.

² In the prior year the loan to BLT USA Inc. was capitalised.

In the current year TicketPros Proprietary Limited, Blue Label Engage Proprietary Limited, Panacea Mobile Proprietary Limited and Africa Prepaid Services Nigeria Limited were acquired. Refer to note 28 in the Group notes for details of these acquisitions.

In the prior year Activi Technology Services Proprietary Limited sold its 100% investment in Activi Deployment Services Proprietary Limited and its 60% investment in Transaction Junction Proprietary Limited to Blue Label Telecoms Limited on loan account. In the prior year, Matragon Proprietary Limited distributed its 100% investment in Blue Label Distribution Proprietary Limited to Blue Label Telecoms Limited.



Notes to the Company annual financial statements continued

For the year ended 31 May 2013

6. Investments in Group companies and related loans (continued)

6.2 Investments in joint ventures and related loans

	2013 R'000	2012 R'000
Shares as at the beginning of the year	26 652	27 128
Acquisition of joint venture	138 174	—
Disposal – Demtrade 11 Proprietary Limited	—	(476)
Shares as at the end of the year	164 826	26 652
Loans at the beginning of the year	27 829	1 485
Loans repaid by joint ventures	—	(1 228)
Loan granted to joint venture capitalised	(112 822)	—
Loans granted to joint venture	84 993	27 572
Loans at the end of the year	—	27 829
Closing net book value	164 826	54 481

	Date acquired	Country of incorporation	Percentage interest held
Blue Label Mexico S.A. de C.V.	Joint venture 23 Feb 2011	Mexico	40
Blue Label Mexico S.A. de C.V. *	Joint venture 1 Sep 2012	Mexico	5

	Assets R'000	Liabilities R'000	Revenues R'000	Loss R'000
2013				
Blue Label Mexico S.A. de C.V.	349 286	73 551	1 742 863	(113 155)
2012				
Blue Label Mexico S.A. de C.V.	129 090	79 988	859 592	(59 155)

* On 1 September 2012 Blue Label Telecoms increased its shareholding in Blue Label Mexico S.A. de C.V. (BLM) by 5% for a consideration of R21.1 million. A further capital contribution of R89.2 million was paid to BLM during the year. The loan balance at 31 May 2012 of R27.8 million was capitalised during the year.

Notes to the Company annual financial statements continued

For the year ended 31 May 2013

	2013 R'000	2012 R'000
7. Loan receivable		
Interest-bearing loan	—	6 299
	—	6 299
Interest-bearing loans bear interest at prime +2% and have no fixed terms of repayment.		
8. Trade and other receivables		
Trade receivables	—	7
Sundry debtors and prepayments	765	969
Amounts due from related parties (refer to note 21)	6 425	357
	7 190	1 333

The ageing of trade receivables, including amounts due from related parties, at the reporting date is as follows:

	Gross R'000	Impairment R'000	Net R'000
31 May 2013			
Fully performing	6 425	—	6 425
Past due by one to 30 days	—	—	—
Past due by 31 to 60 days	—	—	—
Past due by 61 to 90 days	—	—	—
Past due by more than 90 days	—	—	—
	6 425	—	6 425
31 May 2012			
Fully performing	336	—	336
Past due by one to 30 days	—	—	—
Past due by 31 to 60 days	—	—	—
Past due by 61 to 90 days	—	—	—
Past due by more than 90 days	28	—	28
	364	—	364

Based on the financial performance of the relevant debtors, management does not consider there to be any indications of potential default in respect of the fully performing book.

Business model and strategic objectives	Leadership	Governance	Operating performance	Financial performance	Shareholders' information and administration
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Notes to the Company annual financial statements continued

For the year ended 31 May 2013

	2013 R'000	2012 R'000
9. Cash and cash equivalents		
Cash at bank	1 110	1 200
Favourable balances	1 110	1 200

In the prior year guarantees to the value of R600 000 were held by Investec Bank Limited in favour of a subsidiary.

	2013 Number of shares	2012 Number of shares	2013 R'000	2012 R'000
10. Share capital				
Authorised				
Total authorised share capital of ordinary shares (par value of R0.000001 each)	1 000 000 000	1 000 000 000	1	1
Issued				
Balance at the beginning of the year	661 501 917	756 269 004	*	*
Shares acquired during the period	(2 567 171)	(95 078 724)	*	*
Shares vested during the year – Blue Label Telecoms	1 232 031	91 507		
Shares vested during the year – Blue Label Telecoms subsidiaries	1 468 481	220 130		
Balance at the end of the year	661 635 258	661 501 917	*	*

* Less than R1 000.

All issued shares are fully paid up.

Notes to the Company annual financial statements continued

For the year ended 31 May 2013

10. Share capital (continued)

The total number of shares in issue, including shares held as treasury shares as at 31 May 2013, is 674 509 042 (2012: 674 509 042).

The Company acquired 2 567 171 (2012: 3 226 872) shares on the JSE in order to grant forfeitable shares to employees and directors.

The amount paid to acquire these shares was R17 222 717 (2012: R16 095 018). An amount of R17 222 717 (2012: R16 095 018) has been deducted from shareholders' equity.

These shares are held as "treasury shares". See note 11 for details on the forfeitable shares.

In the prior year, the Company acquired 91 851 852 shares from Microsoft Corporation representing 11.99% of the Blue Label ordinary shares in issue prior to the specific repurchase. The amount paid for these shares, including transaction costs, was R392 377 518. These shares have been cancelled.

The directors of the Company have unrestricted authority until the following annual general meeting to allot and issue, other than for cash, as they in their discretion deem fit, the unissued ordinary shares of the Company as at 31 May 2012, subject to the provisions of the memorandum of incorporation of the Company, the Companies Act and the Listings Requirements of the JSE.

11. Equity compensation benefit

Forfeitable shares

During the year, 1 551 702 (2012: 2 100 259) forfeitable shares were granted to executive directors and qualifying employees ("participant"). The participant will forfeit the forfeitable shares if he/she ceases to be an employee of an employer company before the vesting date or if the specified performance conditions have not been met, unless otherwise specified by the rules or determined by the board. In the event that the participant is not in the employ of the Group, or the performance conditions are not met, then the shares allocated to the participant will be forfeited and will either be sold on the open market by the escrow agent and the proceeds will be returned to the participating employer, or may be retained by the Group for future awards.

Dividends declared in respect of these forfeitable shares are held in escrow until such time as the performance conditions are met and the shares have vested. Shares forfeited during the vesting period will forfeit any dividends pertaining to such shares. A dividend of 23 cents (2012: 14 cents) per ordinary share was declared on 20 August 2012 (2012: 23 August 2011).



Notes to the Company annual financial statements continued

For the year ended 31 May 2013

11. Equity compensation benefit (continued)

Forfeitable shares (continued)

The performance conditions for the second award grant of forfeitable shares vesting on 1 September 2012 are as follows:

- 25% of the shares constituting the allocation are awarded for retention purposes and shall vest if the employee is still employed in the Group at the vesting date (1 September 2012);
- 25% of the shares constituting the allocation will vest on the achievement by individual employees of their individual key performance indicators; and
- 50% of shares constituting the allocation will vest if the Group's core HEPS is equal to or exceeds the core HEPS per ordinary share at the beginning of the performance period (1 June 2009), by the percentage change in the CPI over the performance period, plus 15%. There is no linear vesting to this portion of the allocation.

The second award has now vested.

The performance condition for the third award grant of forfeitable shares vesting on 31 August 2013 are as follows:

- 25% of the shares constituting the allocation are awarded for retention purposes and shall vest if the employee is still employed in the Group at the vesting date (31 August 2013);
- 25% of the shares constituting the allocation will vest on the achievement by individual employees of their individual key performance indicators; and
- 50% of shares constituting the allocation will vest if the Group's core HEPS is equal to or exceeds the core HEPS per ordinary share at the beginning of the performance period 1 June 2010, by the percentage change in the CPI over the performance period, plus 15%. There is no linear vesting to this portion of the allocation.

The performance condition for the retention award grant vesting in three equal tranches on 30 September 2010, 30 April 2011 and 30 April 2012 are as follows:

- 100% of the shares constituting the allocation are awarded for retention purposes and shall vest if the employee is still employed in the Group at the vesting dates.

The performance condition for the fourth award grant of forfeitable shares vesting on 31 August 2014 are as follows:

- 25% of the shares constituting the allocation are awarded for retention purposes and shall vest if the employee is still employed in the Group at the vesting date (31 August 2014);
- 25% of the shares constituting the allocation will vest on the achievement by individual employees of their individual key performance indicators; and
- 50% of shares constituting the allocation will vest if the Group's core HEPS is equal to or exceeds the core HEPS per ordinary share at the beginning of the performance period 1 June 2011, by the percentage change in the CPI over the performance period, plus 15%. There is no linear vesting to this portion of the allocation.

Notes to the Company annual financial statements continued

For the year ended 31 May 2013

11. Equity compensation benefit (continued)

Forfeitable shares (continued)

The performance condition for the fifth award grant vesting at 31 August 2015 of forfeitable shares are as follows:

- 40% of the awards are allocated towards retention. In order to receive this portion of the allocation the employee is required to be employed within the Group at the vesting date (31 August 2015); and
- 60% of the awards are allocated on the basis of 50% for Growth in Core Headline earnings per share and 10% for shareholder returns.

The 50% for growth in core headline earnings will be based on the following achievements:

- If growth is 5% above CPI over three years, then 20% of the 50% will vest;
- If growth is 10% above CPI over three years, then an additional 50% (i.e. a total of 70%) of the 50% will vest; and
- If growth is 25% above CPI over three years, then a further 30% (i.e. a total of 100%) of the 50% will vest.

The 10% for shareholder return will be based on a 10% compounded growth in the share price over the three-year vesting period measured with reference to the weighted average price per share during the month of the commencement of the allocation and the weighted average share price for the month during which the vesting takes place, plus dividends over the three-year period of no less than three times dividend cover on a grossed up basis.

Movements in the number of forfeitable shares outstanding during the year are as follows:

	Grant date	Vesting date	Number of shares	Fair value of grant R'000
At 31 May 2011			3 501 571	18 150
Second award			1 443 809	8 446
Third award			1 947 535	9 153
Retention award			110 227	551
Granted during the year			2 100 259	9 451
Fourth award	1 October 2011	31 August 2014	2 100 259	9 451
Shares forfeited during the year			(99 032)	(532)
Second award			(52 800)	(309)
Third award			(27 512)	(129)
Retention award			(18 720)	(94)
Shares vested during the year			(91 507)	(457)
Retention award		30 April 2011	(91 507)	(457)



Notes to the Company annual financial statements continued

For the year ended 31 May 2013

11. Equity compensation benefit (continued)

Forfeitable shares (continued)

	Grant date	Vesting date	Number of shares	Fair value of grant R'000
At 31 May 2012			5 411 291	26 612
Second award			1 391 009	8 137
Third award			1 920 023	9 024
Fourth award			2 100 259	9 451
Granted during the year			1 451 573	9 740
Fifth award	3 September 2012	31 August 2015	1 451 573	9 740
Shares forfeited during the year			(251 503)	(1 353)
Second award			(158 978)	(930)
Third award			(31 856)	(150)
Fourth award			(60 669)	(273)
Shares vested during the year			(1 232 031)	(7 207)
Second award		1 September 2012	(1 232 031)	(7 207)
At 31 May 2013			5 379 330	27 792
Third award			1 888 167	8 874
Fourth award			2 039 590	9 178
Fifth award			1 451 573	9 740

Refer to note 14 for the expense recognised in the statement of comprehensive income relating to the equity compensation benefits.

The fair value of the shares is based on the value paid for the shares on the open market at grant date.

The total number of forfeitable shares issued to executive directors during the period is 1 096 759 (2012: 1 542 820).

The share-based payment expense in relation to these directors is R6.3 million (2012: R7.3 million).

Refer to note 31 of the Group annual financial statements for details per director.

Notes to the Company annual financial statements continued

For the year ended 31 May 2013

	2013 R'000	2012 R'000
12. Trade and other payables		
Trade payables	232	520
Accruals	33 754	37 008
Sundry creditors	9 718	780
VAT	1 116	3 720
Amounts due to related parties (refer to note 21)	23	109
	44 843	42 137
13. Loans from subsidiaries		
Blue Label Investments Proprietary Limited	3 638	3 638
Datacel Proprietary Limited	8 493	—
The Prepaid Company Proprietary Limited	90 727	—
Ventury Group Proprietary Limited	48 000	48 000
	150 858	51 638
Loans are unsecured, interest-free and are repayable on demand.		
14. Employee compensation and benefit expense		
Salaries and wages	41 461	39 260
Bonuses	27 770	25 461
Equity compensation benefit	8 138	10 342
Other	2 804	1 214
	80 173	76 277

The average number of employees for the year is 36 (2012: 37).



Notes to the Company annual financial statements continued

For the year ended 31 May 2013

	2013 R'000	2012 R'000
15. Operating loss		
The following items have been charged/(credited), in arriving at operating loss:		
Management fees received**	(107 380)	(104 763)
Dividends received	—	(4 798)
Consulting fees	3 968	6 031
Foreign exchange (profit)/loss	(95)	73
Impairment of loans and investments*	61 323	13 000
Profit on disposal of property, plant and equipment	(73)	—
Insurance	1 118	1 118
Legal fees	530	215
Operating lease rentals – premises	(484)	2 027
Rental paid	11 871	14 223
Rental recovery	(12 355)	(12 196)
Overseas travel	1 578	1 158
Repairs and maintenance	6	—
Audit fees – services as auditors	4 205	4 086
Audit fees – other	474	—

* An impairment loss of R54.7 million (2012: R13 million) was recognised in the current year relating to the impairment of related party investments and loans in line with our stated accounting policies (refer to note 21). An impairment loss of R6.3 million (2012: nil) was recognised in the current year relating to the impairment of a loan.

** Included in other income.

In the current year a weighted average cost of capital of 14.79% to 21.73% and a growth rate of 1.5% to 4.5% was used in determining the recoverable value where the valuation was based on future cash flows. The prior year impairment has been determined using the indicative sales value in order to determine the recoverable amount.

Notes to the Company annual financial statements continued

For the year ended 31 May 2013

	2013 R'000	2012 R'000
16. Finance (income)/costs		
Interest paid		
– Bank	3	36
– Other	397	—
	400	36
Interest received		
– Bank	(48)	(67)
– Loans	(3 582)	(2 892)
– Other	—	(9)
	(3 630)	(2 968)
Net finance income	(3 230)	(2 932)
17. Taxation		
Current tax	8 311	(2 398)
Current year	7 938	1 311
Prior year	373	(3 709)
Deferred tax	(7 906)	(219)
Current year	(7 906)	(88)
Prior year	—	(131)
STC	—	10 663
	405	8 046
Tax rate reconciliation		
Net loss before tax	(63 860)	(13 673)
Tax at 28%	(17 882)	(3 828)
Adjusted for:		
– Income not taxable	—	(1 343)
– Expenditure not deductible	17 914	6 394
– Prior year adjustment	373	(3 840)
– STC	—	10 663
	405	8 046



Notes to the Company annual financial statements continued

For the year ended 31 May 2013

	2013 R'000	2012 R'000
18. Cash flows from operating activities		
Reconciliation of operating loss to cash flows from operating activities		
Operating loss	(67 090)	(16 605)
Adjustments for:		
Dividends received	—	(4 797)
Depreciation of property, plant and equipment	7 217	6 517
Amortisation on intangible assets	225	199
Impairment of loans and investments	61 323	13 000
Profit on disposal of property, plant and equipment	(73)	—
Loss on disposal of subsidiaries	2 000	4 164
Loss on disposal of joint venture	—	476
Loss on restructuring (refer to note 6.1)	—	533
Equity compensation benefit expense	8 138	10 342
Unrealised foreign exchange differences	—	(1 132)
Changes in working capital		
(Increase)/decrease in trade and other receivables	(5 858)	3 211
Increase in trade and other payables	2 706	28 689
(Increase)/decrease in loans receivable	(62)	4 316
	8 526	48 913
19. Taxation paid		
Balance outstanding at the beginning of the year	1 110	3 795
Taxation charge	8 311	8 265
Balance outstanding at the end of the year	(8 126)	(1 110)
	1 295	10 950
20. Commitments		
Future operating lease charges for:		
Premises		
Payable within one year	12 444	11 261
Payable in two to five years	41 216	53 660
	53 660	64 921

Notes to the Company annual financial statements continued

For the year ended 31 May 2013

	2013 R'000	2012 R'000
21. Related party transactions		
Related party relationships		
For details of subsidiaries and joint ventures, refer to note 34 in the Group notes.		
For details of the Company's directors, refer to the directors' report.		
ZOK Cellular Proprietary Limited, Black Ginger 59 Proprietary Limited, Unihold Group Limited, Ellerine Bros. Proprietary Limited, Stylco Proprietary Limited and Moneyline 311 Proprietary Limited are related parties due to directors' shareholdings and the companies having common directorships.		
For details of the shareholdings in the Company, refer to the directors' report.		
Directors' emoluments (refer to note 31 of the Group annual financial statements and remuneration report).		
The following transactions were carried out with related parties:		
Purchases from related parties		
Black Ginger 59 Proprietary Limited	—	1 946
Brett Levy	—	525
BSC Technologies Proprietary Limited	7	—
Demtrade 11 Proprietary Limited	—	(4)
Stylco Proprietary Limited	18	40
The Prepaid Company Proprietary Limited	3	5
Wildeckrans Wine Estate Proprietary Limited	13	3



Notes to the Company annual financial statements continued

For the year ended 31 May 2013

	2013 R'000	2012 R'000
21. Related party transactions (continued)		
Cost recoveries from related parties		
Cellfind SA Proprietary Limited	—	6
Interest received from related parties		
Africa Prepaid Services Proprietary Limited	2 445	1 009
Datacel Direct Proprietary Limited	—	957
SharedPhone International Proprietary Limited	—	148
The Post Paid Company Proprietary Limited	—	48
Blue Label Mexico S.A. de C.V.	576	431
Management fees received from related parties		
Activi Deployment Services Proprietary Limited	88	80
Blue Label Distribution Proprietary Limited	3 039	3 063
Blue Label Mexico S.A. de C.V.	520	458
Blue Label One Proprietary Limited	1 320	1 200
Cellfind SA Proprietary Limited	3 162	2 875
Cigicell Proprietary Limited	2 723	2 476
Datacel Direct Proprietary Limited	439	399
SharedPhone International Proprietary Limited	—	532
The Prepaid Company Proprietary Limited	96 000	93 600
Transaction Junction Proprietary Limited	88	80
Rent paid to related parties		
Ellerine Bros. Proprietary Limited	5 631	5 096
Moneyline 311 Proprietary Limited	5 631	5 096

Notes to the Company annual financial statements continued

For the year ended 31 May 2013

	2013 R'000	2012 R'000
21. Related party transactions (continued)		
Rent received from related parties		
Africa Prepaid Services Proprietary Limited	—	133
Blue Label Data Solutions Proprietary Limited	—	167
Blue Label One Proprietary Limited	—	588
Blue Label Distribution Proprietary Limited	—	2 438
The Prepaid Company Proprietary Limited	—	3 099
Zok Cellular Proprietary Limited	—	95
Impairment of related party investments		
Africa Prepaid Services Nigeria Limited	14 000	—
Content Connect Africa Proprietary Limited	—	13 000
Impairment of related party loans		
Africa Prepaid Services Proprietary Limited	35 849	—
Africa Prepaid Services Nigeria Limited	5 113	—
Dividends received from related parties		
Datacel Direct Proprietary Limited	—	3 747
Demtrade 11 Proprietary Limited	—	453
Matragon Proprietary Limited	—	1
Matrix Investments No 4 Proprietary Limited	—	596
Loans to related parties		
Africa Prepaid Services Proprietary Limited	—	4 719
Gold Label Investments Proprietary Limited	37 446	35 104
The Prepaid Company Proprietary Limited	—	236 794
Uninex Proprietary Limited	976	976
Velociti Proprietary Limited	—	3 005



Notes to the Company annual financial statements continued

For the year ended 31 May 2013

	2013 R'000	2012 R'000
21. Related party transactions (continued)		
Loans from related parties		
Blue Label Investments Proprietary Limited	3 638	3 638
Datacel Direct Proprietary Limited	8 493	—
The Prepaid Company Proprietary Limited	90 727	—
Ventury Group Proprietary Limited	48 000	48 000
Amounts due from related parties		
Black Ginger 59 Proprietary Limited	4 683	21
Blue Label Distribution Proprietary Limited	8	—
Blue Label Mexico S.A. de C.V.	1 759	336
Smart Voucher Limited trading as Ukash	(25)	—
	6 425	357
Amounts due to related parties		
Blue Label Distribution Proprietary Limited	8	109
Cigicell Proprietary Limited	15	—
	23	109

Notes to the Company annual financial statements continued

For the year ended 31 May 2013

	Number of shareholdings	%	Number of shares	%
22. Shareholder analysis				
Shareholder spread				
1 – 1 000 shares	675	25.82	340 052	0.05
1 001 – 10 000 shares	1 204	46.06	4 845 195	0.72
10 001 – 100 000 shares	465	17.79	14 668 764	2.17
100 001 – 1 000 000 shares	179	6.85	58 379 023	8.66
1 000 001 shares and over	91	3.48	596 276 008	88.40
Totals	2 614	100.00	674 509 042	100.00
Distribution of shareholders				
Banks	41	1.57	86 953 292	12.89
Close corporations	37	1.42	1 360 070	0.20
Empowerment	1	0.04	6 863	0.00
Endowment funds	20	0.77	1 528 431	0.23
Individuals	1 912	73.14	176 014 571	26.10
Insurance companies	25	0.96	9 895 932	1.47
Investment companies	18	0.69	19 457 110	2.88
Medical schemes	2	0.08	377 750	0.06
Mutual funds	94	3.60	144 499 339	21.42
Nominees and trusts	262	10.02	38 907 289	5.76
Other corporations	19	0.73	168 943	0.03
Private companies	66	2.52	109 478 857	16.23
Public companies	5	0.19	2 414 723	0.36
Retirement funds	110	4.21	70 572 088	10.46
Treasury stock	2	0.08	12 873 784	1.91
Totals	2 614	100.00	674 509 042	100.00



Notes to the Company annual financial statements continued

For the year ended 31 May 2013

	Number of shareholdings	%	Number of shares	%
22. Shareholder analysis (continued)				
Public/non-public shareholders				
Non-public shareholders	17	0.66	296 301 278	43.93
Directors and associates	14	0.54	183 427 494	27.19
Strategic holdings (more than 10%)	1	0.04	100 000 000	14.83
Treasury stock	2	0.08	12 873 784	1.91
Public shareholders	2 597	99.34	378 207 764	56.07
Totals	2 614	100.00	674 509 042	100.00
Beneficial shareholders holding 2% or more				
Allan Gray's clients			114 662 405	17.00
Shotput Investments Proprietary Limited			100 000 000	14.83
Levy, BM			82 917 385	12.29
Levy, MS			75 509 976	11.19
RECM's clients			34 117 769	5.06
Fidelity Investments			32 092 071	4.76
Investec Investments (UK)			18 780 153	2.78
Nedbank Group			17 981 502	2.67
Wellington Management Company			14 709 595	2.18
Government Employees Pension Fund			13 488 848	2.00
Totals			504 259 704	74.76

Notice of Annual General Meeting

Blue Label Telecoms Limited

(Incorporated in the Republic of South Africa)
(Registration number 2006/022679/06)
Share code: BLU ISIN: ZAE000109088
("Blue Label" or "the Company")

All terms defined in the integrated annual report 2013, to which this notice of annual general meeting is attached, shall bear the same meanings when used in this notice of annual general meeting.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given to Blue Label shareholders recorded in the Company's securities register on Friday, 25 October 2013, that the sixth annual general meeting of shareholders of Blue Label Telecoms Limited will be held in the boardroom, Blue Label corporate offices, 75 Grayston Drive, Sandton, on Friday, 29 November 2013 at 10:00 (South African time) ("AGM"), to conduct such business as may lawfully be dealt with at the annual general meeting and to consider and, if deemed fit, pass, with or without modification, the ordinary and special resolutions set out hereunder in the manner required by the Companies Act, as read with the Listings Requirements.

Kindly note that in terms of section 63(1) of the Act, meeting participants (including proxies) will be required to provide reasonably satisfactory identification before being entitled to participate in or vote at the AGM. Forms of identification that will be accepted include original and valid identity documents, driver's licences and passports.

RECORD DATES, PROXIES AND VOTING

In terms of section 59(1)(a) and (b) of the Act, the Board of the Company has set the record date for the purpose of determining which shareholders are entitled to:

- receive notice of the annual general meeting (being the date on which a shareholder must be registered in the Company's shareholders' register in order to receive notice of the annual general meeting) as Friday, 25 October 2013; and
- participate in and vote at the annual general meeting (being the date on which a shareholder must be registered in the Company's shareholders' register in order to participate in and vote at the annual general meeting) as Friday, 22 November 2013.

Certificated shareholders or own name dematerialised shareholders may attend and vote at the AGM, or alternatively appoint a proxy to attend, speak and, in respect of the applicable resolution(s), vote in their stead by completing the attached form of proxy and returning it to the transfer secretaries at the address given in the form of proxy by no later than 10:00 on Wednesday, 27 November 2013.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with own name registration, should contact their CSDP or broker in the manner and within the time stipulated in the agreement entered into between them and their CSDP or broker:

- to furnish them with their voting instructions; or
- in the event that they wish to attend the AGM, to obtain the necessary letter of representation to do so.



Notice of Annual General Meeting continued

On a show of hands, every shareholder present in person or represented by proxy and entitled to vote shall have only one vote irrespective of the number of shares such shareholder holds. On a poll, every shareholder, present in person or represented by proxy and entitled to vote, shall be entitled to that proportion of the total votes in the Company which the aggregate amount of the nominal value of the shares held by such shareholder bears to the aggregate amount of the nominal value of all shares issued by the Company.

Certificated Blue Label shareholders or own name dematerialised shareholders who are entitled to attend and vote at the AGM are entitled to appoint a proxy to attend, participate in and vote at the annual general meeting in their stead. A proxy need not also be a shareholder of the Company. The completion of a form of proxy will not preclude a shareholder from attending the annual general meeting.

ELECTRONIC PARTICIPATION

Please note that Blue Label will provide for participation by way of electronic communication in the AGM, as set out in section 63 of the Act. In this regard, please refer to the notes on page 256 at the end of this notice.

When reading the resolutions below, please refer to the explanatory notes relating to the resolutions on pages 254 and 255.

PRESENTATION OF ANNUAL FINANCIAL STATEMENTS AND REPORTS

The audited Group and Company annual financial statements, including the external auditors', Audit, Risk and Compliance Committee's and directors' reports for the year ended 31 May 2013, have been distributed as required and will be presented to shareholders at the AGM.

The complete set of audited Group and Company annual financial statements, together with the above mentioned reports, are set out on pages 106 to 247 of the integrated annual report. The directors' report is set out on pages 99 to 103. The Audit, Risk and Compliance Committee's report is set out on pages 58 to 62.

ORDINARY RESOLUTIONS

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

Directors appointed during the year

1. Ordinary resolution number 1: Election of Mr DA Suntup as a Director of the Company

Resolved that, Mr DA Suntup, be and is hereby elected as a Director of the Company with immediate effect.

A brief biography in respect of Mr Suntup is contained on page 27 of the integrated annual report 2013.

Director retiring by rotation

2. Ordinary resolution number 2: Re-election of Mr KM Ellerine as a Director of the Company

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

A brief biography in respect of Mr Ellerine is contained on page 23 of the integrated annual report.

Notice of Annual General Meeting continued

3. Ordinary resolution number 3: Re-election of Mr JS Mthimunye as a Director of the Company

Resolved that, Mr JS Mthimunye, who was first appointed to the Board on 5 October 2007 and who retires in terms of the Memorandum of Incorporation, and who is eligible and available for re-election, is re-elected as a Director of the Company with immediate effect.

A brief biography in respect of Mr Mthimunye is contained on page 25 of the integrated annual report.

4. Ordinary resolution number 4: Re-election of Mr LM Nestadt as a Director of the Company

Resolved that, Mr LM Nestadt, who was first appointed to the Board on 5 October 2007 and who retires in terms of the Memorandum of Incorporation, and who is eligible and available for re-election, is re-elected as a Director of the Company with immediate effect.

A brief biography in respect of Mr Nestadt is contained on page 21 of the integrated annual report.

5. Ordinary resolution number 5: Re-appointment of external auditors

Resolved that, on the recommendation of the current Audit, Risk and Compliance Committee of the Company, PricewaterhouseCoopers Incorporated ("PwC"), be and is hereby re-appointed as independent registered auditors of the Company for the ensuing year until the conclusion of the next annual general meeting of the Company.

6. Ordinary resolution number 6: Election of Mr JS Mthimunye as a member and chairman of the Audit, Risk and Compliance Committee for the year ending 31 May 2014

Resolved that, in terms of section 94(2) of the Act, but subject to his election as a Director of the Company in terms of ordinary resolution number 3, Mr JS Mthimunye, an Independent Non-Executive Director of the Company, be and is hereby elected as a member and the chairman of the Audit, Risk and Compliance Committee.

A brief biography in respect of Mr Mthimunye is contained on page 25 of the integrated annual report.

7. Ordinary resolution number 7: Election of Mr GD Harlow as a member of the Audit, Risk and Compliance Committee for the year ending 31 May 2014

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

A brief biography in respect of Mr Harlow is contained on page 24 of the integrated annual report.



Notice of Annual General Meeting continued

8. Ordinary resolution number 8: Election of Mr NN Lazarus SC as a member of the Audit, Risk and Compliance Committee for the year ending 31 May 2014

Resolved that, in terms of section 94(2) of the Act, Mr NN Lazarus SC, a Non-Executive Director of the Company, be and is hereby elected as a member of the Audit, Risk and Compliance Committee.

A brief biography in respect of Mr Lazarus SC is contained on page 24 of the integrated annual report.

9. Ordinary resolution number 9: Election of Mr SJ Vilakazi as a member of the Audit, Risk and Compliance Committee for the year ending 31 May 2014

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

A brief biography in respect of Mr Vilakazi is contained on page 25 of the integrated annual report.

10. Ordinary resolution number 10: Directors' authority to implement ordinary and special resolutions

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

ADVISORY VOTE

Please note that there is no minimum percentage of voting rights required for an advisory vote to be adopted.

Endorsement of the remuneration policy

As a non-binding advisory vote, the Company's remuneration policy (excluding the remuneration of Non-Executive Directors and members of Committees of the Board for their services as Directors and members of such committees) as set out on pages 53 to 57 of the integrated annual report, be and is hereby endorsed.

Notice of Annual General Meeting continued

SPECIAL RESOLUTIONS

Please note that in terms of sections 62(3)(c) and 65(9) of the Act, the minimum percentage of voting rights required for each of the following special resolutions to be passed is 75% of the voting rights exercised.

1. Special resolution number 1: Non-Executive Directors' remuneration

Resolved that in terms of section 66(9) of the Act, the following remuneration shall be payable to the Non-Executive Directors for their services as Directors for the period 1 June 2013 to 31 May 2014:

	Current fee per meeting	Proposed fee per meeting*	Proposed capped fee per annum**
Services as Directors			
Chairman of the Board	–		R842 700
Board members	R36 400	R38 584	R192 920
Audit, Risk and Compliance Committee			
Chairman	R50 556	R53 589	R214 356
Member	R30 334	R32 154	R128 616
Remuneration and Nomination Committee			
Chairman	R40 444	R42 871	R171 484
Member	R24 268	R25 724	R102 896
Investment Committee			
Chairman	R30 334	R32 154	R257 232
Member	R18 200	R19 292	R154 336
Transformation, Social and Ethics Committee			
Chairman	R30 334	R32 154	R128 616
Member	R18 200	R19 292	R77 168
Ad hoc committee			
Chairman	R30 334	R32 154	R128 616
Member	R18 200	R19 292	R77 168

* In the event that there are fewer meetings held per year than envisaged, the member shall receive the fee in respect of the number of meetings attended.

** In the event that there are more meetings held per year than initially planned, directors' fees will be paid only up to the cap.



Notice of Annual General Meeting continued

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

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

- (a) the number of its own ordinary shares acquired by the Company in any one financial year shall not exceed 20% (twenty per cent) of the ordinary shares in issue at the date on which this resolution is passed;
- (b) this authority shall lapse on the earlier of the date of the next annual general meeting of the Company or the date 15 (fifteen) months after the date on which this resolution is passed;
- (c) the Board has resolved to authorise the acquisition and that the Group will satisfy the solvency and liquidity test immediately after the acquisition and that since the test was done there have been no material changes to the financial position of the Group;
- (d) the acquisition must be effected through the order book operated by the JSE Limited trading system and done without any prior understanding or arrangement between the Company and the counterparty;
- (e) the Company only appoints one agent to effect any acquisition(s) on its behalf;
- (f) the price paid per ordinary share may not be greater than 10% (ten per cent) above the weighted average of the market value of the ordinary shares for the 5 (five) business days immediately preceding the date on which an acquisition is made;
- (g) the number of shares acquired by subsidiaries of the Company shall not exceed 10% (ten per cent) in the aggregate of the number of issued shares in the Company at the relevant times;
- (h) the acquisition of shares by the Company or its subsidiaries may not be effected during a prohibited period, as defined in the Listings Requirements; and
- (i) an announcement containing full details of such acquisitions of shares will be published as soon as the Company and/or its subsidiaries have acquired shares constituting, on a cumulative basis 3% (three per cent) of the number of shares in issue at the date of the meeting at which this special resolution is considered and if approved, passed, and for each 3% (three per cent) in aggregate of the initial number acquired thereafter.

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

- Directors and management – refer to pages 20 to 27;
- Major shareholders – refer to pages 246 and 247;
- Material change – there were no material changes;
- Directors' interest in securities – refer to page 102;
- Share capital of the Company – refer to pages 233 and 234;
- Responsibility Statement – refer to page 97; and
- Litigation – refer to pages 95, 214 and 215.

By order of the board

Janine Van Eden
Group Company Secretary
Sandton
18 October 2013

Notice of Annual General Meeting continued

EXPLANATORY NOTES

Presentation of the annual financial statements

In terms of section 61(8)(a) of the Act, the directors' report, audited Group and Company annual financial statements for the immediately preceding financial year and the Audit, Risk and Compliance Committee report is to be presented to shareholders at the AGM.

Ordinary resolution numbers 1 to 4 (inclusive): Election and re-election of Directors

The Company's Memorandum of Incorporation states that, any person appointed to fill a causal vacancy or as an addition to the Board shall retain office only until the following annual general meeting of the Company and shall then retire and be eligible for election. Mr DA Suntup retires from the Board in accordance with article 25.5 of the Company's Memorandum of Incorporation.

In accordance with the Memorandum of Incorporation, one third of the directors are required to retire at each annual general meeting and may offer themselves for re-election. Messrs KM Ellerine, JS Mthimunya and LM Nestadt retire by rotation at the AGM in accordance with article 25.17 of the Memorandum of Incorporation, and have offered themselves for re-election. Brief biographies in respect of Directors offering themselves for re-election are contained on pages 21 to 26 of the integrated annual report.

The Board is satisfied with the performance of each of the Directors standing for election and re-election, as appropriate, and that they continue to make an effective and valuable contribution to the Company and to the Board.

The Board recommends to shareholders that they should vote in favour of the election and re-election of the Directors referred to in ordinary resolution numbers 1 to 4 (inclusive).

Ordinary resolution number 5: Re-appointment of external auditors

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

PwC has expressed its willingness to continue in office and this resolution proposes the re-appointment of PwC as the Company's auditors until its next annual general meeting. In addition, Mr EJ Gerryts is re-appointed as the individual registered auditor for the ensuing year as contemplated in section 90(3) of the Act.

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

The Audit, Risk and Compliance Committee has recommended the re-appointment of PwC as independent registered auditor of Blue Label for the 2014 financial year.

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

In terms of section 94(2) of the Act, each audit committee member must be elected by shareholders at an annual general meeting. King III likewise requires shareholders of a public company to elect each member of an audit committee at an annual general meeting.



Notice of Annual General Meeting continued

In terms of Regulation 42 of the Companies Regulations, 2011, relating to the Act, at least one third of the members of the Company's Audit, Risk and Compliance Committee at any particular time must have academic qualifications, or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management. Each of the proposed members is duly qualified, as is evident from the curriculum vitae of each member, as contained on pages 24 and 25 of the integrated annual report.

Ordinary resolution number 10: Directors' authority to implement ordinary and special resolutions

The reason for ordinary resolution number 10 is to authorise any Director of the Company to do all things necessary to implement the ordinary and special resolutions passed at the AGM and to sign all such documentation required to give effect and to record the ordinary and special resolutions.

Advisory vote: Endorsement of the remuneration policy

King III requires a company to table its remuneration policy for a non-binding advisory vote by shareholders at its annual general meeting. This vote enables shareholders to endorse the remuneration policy adopted for executive directors. The Blue Label remuneration policy is contained in pages 53 to 57 of the integrated annual report.

The advisory vote is of a non-binding nature only and therefore failure to pass this resolution will not have any legal consequences relating to existing arrangements. However, the Board will take cognisance of the outcome of the vote when considering the Company's remuneration policy and the remuneration of Executive Directors.

Special resolution number 1: Non-Executive Directors' remuneration

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

Special resolution number 1 thus requires shareholders to approve the fees payable to the Company's Non-Executive Directors for the period 1 June 2013 to 31 May 2014.

Full particulars of all remuneration paid to Non-Executive Directors for their services as Directors as well as remuneration paid for consulting services rendered, are contained on pages 190 and 191 of the integrated annual report.

Special resolution number 2: General authority to repurchase shares

Special resolution number 2 seeks to allow the Group by way of a general authority to acquire its own issued shares (reducing the total number of ordinary shares of the Company in issue in the case of an acquisition by the Company of its own shares). Any decision by the Directors to use the general authority to acquire shares of the Company will be taken with regard to the prevailing market conditions, share price, cash needs of the Group, together with various other factors, and in compliance with the Act, Listings Requirements and the Memorandum of Incorporation.

The Directors are of the opinion that the renewal of this general authority is in the best interests of the Company as it allows the Group to repurchase the securities issued by the Company through the order book of the JSE Limited should market conditions and price justify such action.

Notice of Annual General Meeting continued

ELECTRONIC PARTICIPATION AT THE AGM

- (a) Shareholders wishing to participate electronically in the AGM are required to:
 - (i) deliver written notice to the Company at 75 Grayston Drive, corner Benmore Road, Morningside Extension 5, 2196 (marked for the attention of the Group Company Secretary) that they wish to participate via electronic communication at the AGM; or
 - (ii) register on the Company's website at www.bluelabeltelecoms.com, where a link to the registration page will be placed, by no later than 10:00 on Wednesday, **27 November 2013** ("Electronic Notice").
- (b) In order for the Electronic Notice to be valid it must contain:
 - (i) if the Blue Label shareholder is an individual, a certified copy of his/her identity document and/or driver's license and/or passport;
 - (ii) if the Blue Label shareholder is not an individual, a certified copy of a resolution or letter of representation by the relevant entity and a certified copy of the identity documents and/or passports of the persons who passed the relevant resolution or signed the relevant letter of representation. The letter of representation or resolution must set out who from the relevant entity is authorised to represent the entity at the AGM via electronic communication;
 - (iii) a valid e-mail address and/or facsimile number ("Contact address/number"); and
 - (iv) if the shareholder wishes to vote via electronic communication, set out that the shareholder wishes to vote via electronic communication. By no later than 24 (twenty-four) hours before the AGM the Company shall use its reasonable endeavours to notify a shareholder at its contact address/number who has delivered a valid Electronic Notice, of the relevant details through which the shareholder can participate via electronic communication.
- (c) Should a shareholder wish to participate in the AGM by way of electronic communication as aforesaid, the shareholder, or his/her/its proxy/ies, will be required to dial-in on the date and commencement time of the AGM. The dial-in facility will be linked to the venue at which the AGM will take place. The dial-in facility will enable all persons to participate electronically in the AGM in this manner (and as contemplated in section 63(2) of the Act) and to communicate concurrently with each other without an intermediary, and to participate reasonably effectively in the AGM. The costs borne by the shareholder or his/her/its proxy/ies in relation to the dial-in facility will be for his/her/its own account.



Form of proxy

Blue Label Telecoms Limited

(Incorporated in the Republic of South Africa)
(Registration number: 2006/022679/06)
Share code: BLU ISIN: ZAE000109088
("Blue Label" or the "Company")

For use by certificated shareholders or own name dematerialised shareholders at the Annual General Meeting of the Company to be held at 10:00 on **Friday, 29 November 2013** at the registered office of Blue Label, 75 Grayston Drive, corner Benmore Road, Morningside Extension 5, Johannesburg ("AGM").

If dematerialised shareholders, other than own name dematerialised shareholders have not been contacted by their Central Securities Depository Participant ("CSDP") or broker with regard to how they wish to cast their vote, they should contact their CSDP or broker and instruct their CSDP or broker as to how they wish to cast their vote at the AGM in order for their CSDP or broker to vote in accordance with such instructions. If dematerialised shareholders, other than own name dematerialised shareholders, have not been contacted by their CSDP or broker it would be advisable for them to contact their CSDP or broker, as the case may be, and furnish them with their instructions. Dematerialised shareholders who are not own name dematerialised shareholders and who wish to attend the AGM must obtain their necessary letter of representation from their CSDP or broker, as the case may be and submit same to the transfer secretaries, Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), to be received by no later than 10:00, on **Wednesday, 27 November 2013**. This must be done in terms of the agreement entered into between the dematerialised shareholder and their CSDP or broker. If the CSDP or broker, as the case may be, does not obtain instructions from such dematerialised shareholders, it will be obliged to act in terms of the mandate furnished to it, or if the mandate is silent in this regard, to abstain from voting. **Such dematerialised shareholders, other than own name dematerialised shareholders, must not complete this form of proxy and should read note 10 of the overleaf.**

Full name: I/We (BLOCK LETTERS) _____ of (address) _____
Telephone: (Work) (area code:) _____ Telephone: (Home) (area code:) _____
Fax: (area code:) _____ Cell number: _____
being the holder(s) of _____ Blue Label shares hereby appoint:
1. _____ or failing him/her,
2. _____ or failing him/her,
3. the chairman of the AGM,

as my/our proxy to vote for me/us on my/our behalf at the AGM of Blue Label shareholders to be held at 10:00 on **Friday, 29 November 2013** or any adjournment thereof as follows:

Resolution	For	Against	Abstain
Ordinary resolution number 1: Election of Mr DA Suntu as a Director of the Company			
Ordinary resolution number 2: Re-election of Mr KM Ellerin as a Director of the Company			
Ordinary resolution number 3: Re-election of Mr JS Mthimunya as a Director of the Company			
Ordinary resolution number 4: Re-election of Mr LM Nestadt as a Director of the Company			
Ordinary resolution number 5: Re-appointment of external auditors			
Ordinary resolution number 6: Election of Mr JS Mthimunya as a member of the Audit, Risk and Compliance Committee			
Ordinary resolution number 7: Election of Mr GD Harlow as a member of the Audit, Risk and Compliance Committee			
Ordinary resolution number 8: Election of Mr NN Lazarus SC as a member of the Audit, Risk and Compliance Committee			
Ordinary resolution number 9: Election of Mr SJ Vilekazi as a member of the Audit, Risk and Compliance Committee			
Ordinary resolution number 10: Directors' authority to implement ordinary and special resolutions			
Non-binding advisory vote: Endorsement of the Remuneration Policy			
Special resolution number 1: Non-Executive Directors' remuneration			
Special resolution number 2: General authority to repurchase shares			

Signed at _____ this _____ day of _____ 2013
Signature _____
Assisted by (if applicable) _____

Please read the notes on the reverse side hereof.

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

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

Notes to the form of proxy

Notes:

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of his/her/its choice in the spaces provided with or without deleting "the chairman of the AGM", but any such deletion must be initialled by the Blue Label shareholder. The person whose name appears first on the form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow.
2. Please insert with an "X" or insert the number of shares in the relevant spaces according to how you wish your votes to be cast. If you wish to cast your votes in respect of a lesser number of Blue Label shares exercisable by you, insert the number of Blue Label shares held in respect of which you wish to vote. Failure to comply with the above will be deemed to authorise and compel the chairman, if the chairman is an authorised proxy, to vote in favour of the resolutions, or to authorise any other proxy to vote for or against the resolutions or abstain from voting as he/she/it deems fit, in respect of all the shareholders' votes exercisable thereat. A shareholder or his/her/its proxy is not obliged to use all the votes exercisable by the shareholder or his/her/its proxy, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the shareholder or his/her/its proxy.
3. Forms of proxy must be lodged with the transfer secretaries, at 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), to be received by no later than 10:00 on **Wednesday, 27 November 2013**.
4. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries or waived by the chairman of the AGM.
6. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
7. The chairman of the AGM may accept or reject any form of proxy which is completed and/or received other than in accordance with these notes and instructions, provided that the chairman is satisfied as to the manner in which the shareholder wishes to vote.
8. Where there are joint holders of shares:
 - 8.1 any such persons may vote at the AGM in respect of such joint shares as if he/she/it were solely entitled thereto;
 - 8.2 any one holder may sign this form of proxy; and
 - 8.3 if more than one such joint holders are present or represented at the AGM, the vote/s of the senior shareholder (for that purpose seniority will be determined by the order in which the names of shareholders appear in the register) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder/s.



Notes to the form of proxy continued

9. Own name dematerialised shareholders will be entitled to attend the AGM in person or, if they are unable to attend and wish to be represented thereat, must complete and return the attached form of proxy to the transfer secretaries in accordance with the time specified on the form of proxy.
10. Shareholders who hold shares through a nominee should advise their nominee or, if applicable, their CSDP or broker timeously of their intention to attend and vote at the AGM or to be represented by proxy thereat in order for their nominee or, if applicable, their CSDP or broker to provide them with the necessary letter of representation to do so or should provide their nominee or, if applicable, their CSDP or broker timeously with their voting instruction should they not wish to attend the AGM in person, in order for their nominee to vote in accordance with their instruction at the AGM.
11. A vote given in terms of an instrument of proxy shall be valid in relation to the AGM notwithstanding the death of the person granting it, the transfer of the shares in respect of which the vote is given, unless an intimation in writing of such death or transfer is received by the transfer secretaries, before the commencement of the AGM.
12. Where this form of proxy is signed under power of attorney, such power of attorney must accompany this form of proxy, unless previously recorded by the transfer secretaries or unless this requirement is waived by the chairman of the AGM.
13. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by Blue Label or the transfer secretaries.
14. Unless revoked, an appointment of a proxy pursuant to this form of proxy remains valid only until the end of the AGM or any postponement or adjournment of the AGM. This form of proxy shall be valid at any resumption of a postponed or adjourned meeting to which it relates although this form of proxy shall not be used at the resumption of the postponed or adjourned annual general meeting if it could not be used at the AGM for any reason other than it was not lodged timeously for the AGM. This form of proxy shall, in addition to the authority conferred by the Act, except insofar as it provides otherwise, be deemed to confer the power generally to act at the meeting in question, subject to any specific direction contained in this form of proxy as to the manner of voting.

Notes to the form of proxy continued

Summary of the rights established in terms of section 58 of the Act:

For purposes of this summary, “shareholder” shall have the meaning ascribed thereto in the Act.

1. At any time, a shareholder of a company is entitled to appoint an individual, including an individual who is not a shareholder of that company, as a proxy, to –
 - 1.1 participate in, and speak and vote at, a shareholders’ meeting on behalf of the shareholder; or
 - 1.2 give or withhold written consent on behalf of such shareholder in relation to a decision contemplated in section 60 of the Act.
2. A proxy appointment must be in writing, dated and signed by the relevant shareholder; and such proxy appointment remains valid for one year after the date upon which the proxy was signed, or any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in section 58(4)(c) of the Act or expires earlier as contemplated in section 58(8)(d) of the Act.
3. Except to the extent that the memorandum of incorporation of a company provides otherwise –
 - 3.1 a shareholder of the relevant company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by such shareholder;
 - 3.2 a proxy may delegate his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing the proxy; and
 - 3.3 a copy of the instrument appointing a proxy must be delivered to the relevant company, or to any other person on behalf of the relevant company, before the proxy exercises any rights of the shareholder at a shareholders’ meeting.
4. Irrespective of the form of instrument used to appoint a proxy, the appointment of the proxy is suspended at any time and to the extent that the shareholder who appointed that proxy chooses to act directly and in person in the exercise of any rights as a shareholder of the relevant company.
5. Unless the proxy appointment expressly states otherwise, the appointment of a proxy is revocable. If the appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and the company.
6. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy’s authority to act on behalf of the relevant shareholder as of the later of the date:
(a) stated in the revocation instrument, if any; or (b) upon which the revocation instrument is delivered to the proxy and the relevant company as required in section 58(4)(c)(ii) of the Act.



Notes to the form of proxy continued

7. If the instrument appointing a proxy or proxies has been delivered to the relevant company, as long as that appointment remains in effect, any notice that is required by the Act or the relevant company's memorandum of incorporation to be delivered by such company to the shareholder, must be delivered by such company to the shareholder, or to the proxy or proxies, if the shareholder has directed the relevant company to do so in writing and paid any reasonable fee charged by the company for doing so.
8. A proxy is entitled to exercise, or abstain from exercising, any voting right of the relevant shareholder without direction, except to the extent that the memorandum of incorporation, or the instrument appointing the proxy provide otherwise.
9. If a company issues an invitation to shareholders to appoint one or more persons named by such company as a proxy, or supplies a form of instrument for appointing a proxy:
 - 9.1 such invitation must be sent to every shareholder who is entitled to notice of the meeting at which the proxy is intended to be exercised;
 - 9.2 the invitation, or form of instrument supplied by the relevant company, must: (a) bear a reasonably prominent summary of the rights established in section 58 of the Act; (b) contain adequate blank space, immediately preceding the name or names of any person or persons named in it, to enable a shareholder to write in the name and, if so desired, an alternative name of a proxy chosen by such shareholder; and (c) provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour or against the applicable resolution/s to be put at the relevant meeting, or is to abstain from voting;
 - 9.3 the company must not require that the proxy appointment be made irrevocable; and
 - 9.4 the proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5) of the Act.

Glossary of terms

WORDS	DEFINITION
AEON	Blue Label's proprietary switch through which all transactional capability is accessed
Act/The Act/ Companies Act	Companies Act No. 71 of 2008, as amended from time to time
AEON EVD	Is the Aeon Electronic Voucher Distribution platform, it is a central repository in which Electronic (or Virtual) Stock is housed. It gets referenced by other internal platforms like EVMS, AMS and AEON
APS	Africa Prepaid Services
APSN	Africa Prepaid Services Nigeria
ARCC	Audit, Risk and Compliance Committee
ARPU	Average revenue per user
B2B	Business-to-business, a commercial transaction between businesses
B2C	Business-to-consumer, a commercial transaction between a business and a consumer
B-BBEE	Broad-based black economic empowerment
BLD	Blue Label Distribution Proprietary Limited
BLM	Blue Label Mexico S.A. de C.V.
BLT	Blue Label Telecoms Limited
Blue Label	Blue Label Telecoms Limited
Blue Label Telecoms	Blue Label Telecoms Limited
BoBo	Bill on Behalf of
BOD	Board of directors
BPO	Business Process Outsourcing
Bulk printing	Ability to print bulk vouchers



Glossary of terms continued

WORDS	DEFINITION
CDMA	Code division multiple access network
CEO	Chief Executive Officer
CIO	Chief Information Officer
Company	Blue Label Telecoms Limited
Content aggregator	An organisation which gathers web content and applications from different online sources for re-use and resale
COO	Chief Operations Officer
CPA	Consumer Protection Act
CRC	Customer relation consultant
CRM	Customer relationship management
CSI	Corporate social investment
CSP	Customer Service Points
CSR	Corporate social responsibility
Developing economies	A term generally used to describe a nation with a low level of material wellbeing (not to be confused with third world countries). Since no single definition of the term developed country is recognised internationally, the levels of development may vary widely within so-called developing countries, with some developing countries having high average standards of living
Disintermediation	Reduction in the use of intermediaries between network operators and consumers
Distribution channels	For Blue Label, our distribution channels include retail and wholesale outlets, petroleum forecourts, informal retail outlets, individual merchants/entrepreneurs, corporates and independents (Mom and Pop Stores)
DTI	Department of Trade and Industry
EBITDA	Earnings before interest, taxes, depreciation and amortisation

Glossary of terms continued

WORDS	DEFINITION
EEC	Employment Equity Committee, which reports into the Social, Ethics and Transformation Committee
EFT	Electronic funds transfer
EMV compliant	The global standard for inter-operability of chip cards, POS terminals and automatic teller machines
Emerging economies	Nations with social or business activity in the process of rapid growth and industrialisation
e-tokens	Electronic tokens – a form of electronic cash used for secure transactions
Exco	Executive Committee
FAQ	Frequently asked questions
FD	Financial Director
FMCG	Fast-moving consumer goods
FGUN	Fully qualified user name
GPS	Global positioning system
GRC	Governance, risk and compliance
GRI	Global Reporting Initiative. Established in 1997, with the mission of designing globally applicable guidelines for the preparation of enterprise-level, sustainable development reports
Group	Blue Label Telecoms Limited and its subsidiaries, associates and joint ventures
IC	Investment Committee
ICT	Information, Communications and Technology
IDMe	A life-saver product available internationally as a 24-hour panic button via your cell phone



Glossary of terms continued

WORDS	DEFINITION
Intelligent transport	Toll roads, bus and train prepaid ticketing
Interconnect fees	Charges associated with calls terminated between two different operators (networks)
IP	Intellectual property
IRCC	Internal Risk and Compliance Committee
ISO	Independent sales organisation
IT	Information technology
JAVA	Java is a programming language and computing platform
JSE	JSE Limited
JV	Joint venture
King III	The King Report on Governance for South Africa 2009 including the King Code of Governance Principles for South Africa 2009
Kiosk	An area, usually within a retail outlet, which is dedicated to transactions for Blue Label products and services
KPA	Key performance area
KPI	Key performance indicator
KPMG	KPMG Services Proprietary Limited
LBS	Location-based services
Listings Requirements	Listings Requirements of the JSE Limited, as amended from time to time
M&A	Mergers and acquisitions
mms	Multimedia messaging service
MOI	Memorandum of Incorporation

Glossary of terms continued

WORDS	DEFINITION
Money remittances	The ability to transfer money to another individual without a bank account
NaaS	Network as a Service
NERA	National Empowerment Rating Agency
NFC	Near Field Communications
NPCI	National Payments Corporation of India, the national transactions switch
OHSA	The Occupational Health and Safety Act no 85 of 1993
OTA	Over the air
Oxigen/Oxigen India	Oxigen Services India
PaaS	Platform as a Service
pCommerce	Prepaid Commerce
Physical prepaid airtime	Prepaid vouchers that are available as physical items
PIN	Personal identity number
PINless top-up	E-token recharge directly to mobile phone via a POS device
POP	Points of presence
POPI	Protection of Personal Information Bill
POS	Point of sale, usually a place or a device
PowerPin Voucher	Off-line prepaid electricity top-up, consolidates the purchase of prepaid electricity across national municipalities
PwC	PricewaterhouseCoopers Inc.
Q&A	Questions and answers



Glossary of terms continued

WORDS	DEFINITION
R&D	Research and development
RNC	Remuneration and Nomination Committee
RUIM (or R-UIM)	Re-usable Identification Module; removable ID chip for cellular phones extends the GSM SIM card to CDMA phones and networks
SaaS	Software as a Service
SAPO	South African Post Office
SBI	State Bank of India, the second largest commercial bank in India
SED	Socio-economic development
Shop-in-shop	An area within a retail outlet which is allocated to transactions for Blue Label products and services
SIM card	Subscriber Identification Module card
SMS	Short message service
Spaza Shop	An informal convenience outlet
SRI Index	Socially Responsible Investment (SRI) Index
SSETA	Services Sector Education and Training Authorities
Telco	Telecommunications
Ticketing	Bus, train and airline ticketing, as well as for events and entertainment
Total number of employees	Total number of employees includes all permanent and temporary employees and excludes terminated employees, Non-Executive Directors and employees at international associates and joint ventures
Touch points	Devices through which consumers are able to purchase Blue Label products and services

Glossary of terms continued

WORDS	DEFINITION
TPC	The Prepaid Company Proprietary Limited
TPPC	The Post Paid Company Proprietary Limited
Transactional services	Includes money transfers, payments of bills and the like
Unbanked	People without bank accounts
Under-banked	People with poor access to mainstream financial services, such as banks and therefore rely on alternative financial services or alternatively people with bank accounts who do not make effective use of the broader services offered by the bank – they merely deposit and withdraw cash from their accounts
UniPIN	Universal PIN for prepaid electricity
USSD	Unstructured supplementary service data
Value added	Measure of wealth the Group has created in its operation by “adding value” to the cost of product and services
VAS	Value added services
Virtual distributor	Distribution of e-tokens of value in electronic format
Virtual prepaid airtime	Airtime top-up in an electronic format
WAP	Wireless Application Protocol
WASP	Wireless Application Service Provider
WASPA	Wireless Application Service Providers' Association
ZOK	ZOK Cellular Proprietary Limited

Administration

Directors

LM Nestadt (Chairman)*, BM Levy, MS Levy, KM Ellerin*, GD Harlow*, NN Lazarus SC*, JS Mthimunya*, MV Pamensky, DB Rivkind, J Vilakazi*

**Non-executive*

Company Secretary

J van Eden

Sponsor

Investec Bank Limited

External auditors

PricewaterhouseCoopers Inc.

Internal auditors

KPMG Services Proprietary Limited

American Depositary Receipt (ADR) Programme

Cusip No.: 095648101

Ticker name: BULBY

ADR to ordinary share: 10:1

Depository

The Bank of New York,

101 Barclay Street

New York NY 10286

USA

Blue Label Telecoms Limited

(Incorporated in the Republic of South Africa)

Registration number 2006/022679/06

JSE Share code

BLU

ISIN

ZAE000109088

(“Blue Label” or “BLT” or “the Company” or “the Group”)

www.bluelabeltelecoms.co.za

