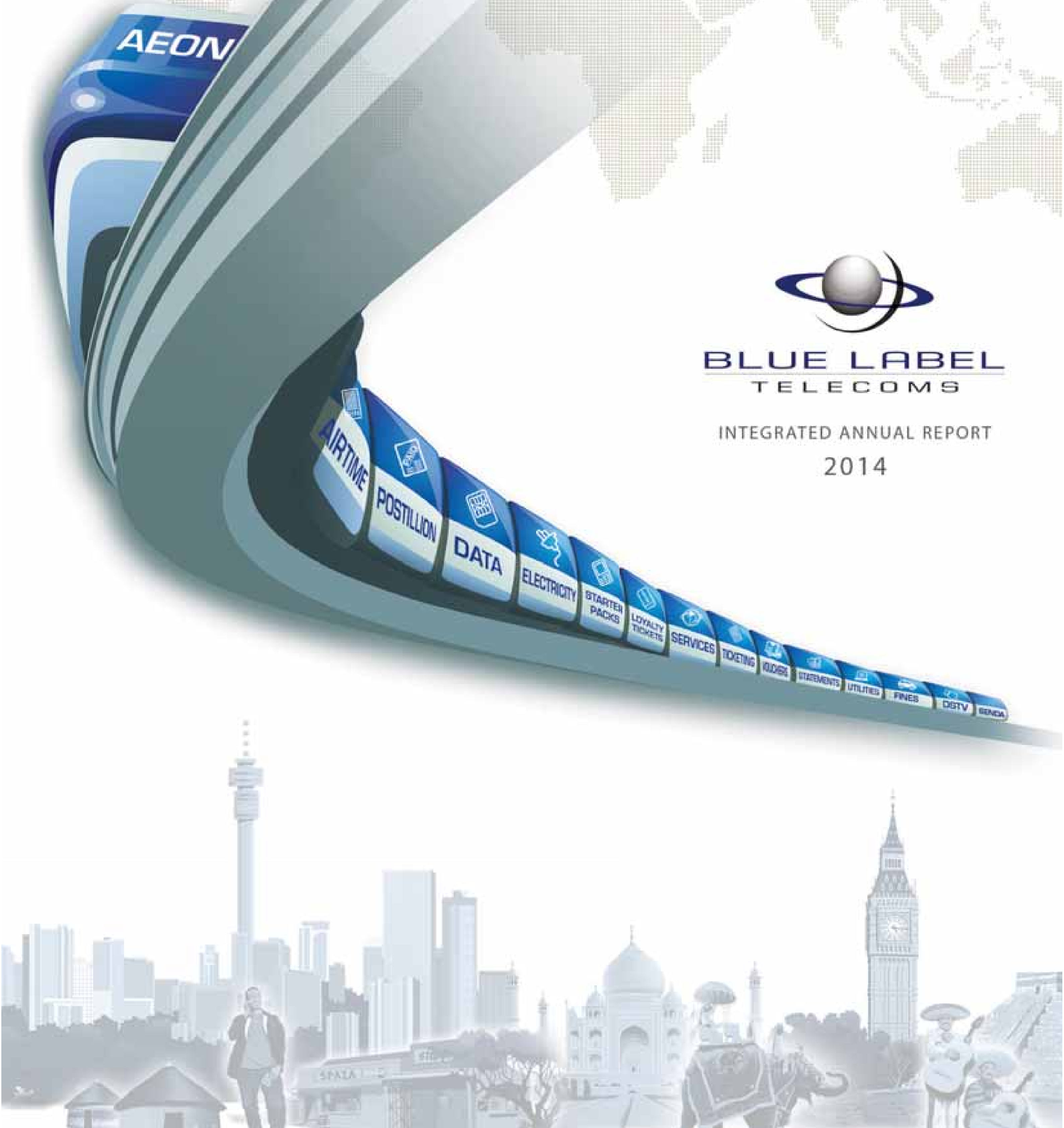

BLUE LABEL TELECOMS

INTEGRATED ANNUAL REPORT

2014

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Scan our QR code to link to our website

Business model and strategic objectives

Leadership

Governance

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Shareholders' information and administration

NATURE OF BUSINESS

Blue Label's core business is the virtual distribution of secure electronic tokens of value, predominantly prepaid airtime, starter packs 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.

The prepaid model empowers new groups of consumers and our distribution to them is the cornerstone of our business.

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 or badly banked and therefore transact in cash, and many do not qualify for credit. Given these limitations, these cash consumers are now able to demand equal access to first-world products and services.

See business illustrated on pages 6 and 7.

NATURE OF BUSINESS CONTINUED

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 consumer's ability to transact conveniently, affordably and with greater accessibility and choice.

Prepaid is a convenient method of payment

for consumers, who 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 postpaid 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. Another development in this space is "hybrid", which is postpaid with a specified monthly limit, and when exhausted, is immediately sequenced by a prepaid top-up for the same goods or services.

We believe that a 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 postpaid. Prepaid empowers new groups of consumers and our distribution to them is the cornerstone of our business.

The word "prepaid" is often perceived as a poor man's mechanism for the purchase of goods and services. However, the convenience and budgetary control that this method of transacting now extends to all classes of the economic pyramid, is ameliorating this perception.

Consumers prefer transacting in prepaid because:

- 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 and badly banked consumers to transact efficiently.

NATURE OF BUSINESS CONTINUED

While distribution plays an important role in the economy, our leverage of the "last mile" of the distribution channel is critical. 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.

Our distribution system is like a virtual railroad delivering prepaid goods.

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.

APPROACH AND REPORTING FRAMEWORK

APPROACH

This is Blue Label's fourth 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 Group 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 communication table on pages 54 to 61).

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 2014. 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

This report has been compiled considering the requirements of King III, the principles of the International Framework and the GRI Guidelines.

Blue Label uses a risk-based model which identifies internal risks and stakeholder issues to determine the material content of the report. Although Blue Label has not declared a GRI "in accordance" level in this year's report, we continue to consider our transition to "in accordance – core" in future years.

KEY FACTS

FOUNDED
Mark Levy and Brett Levy in 2001

TIMELINE
Listed on the JSE in 2007 as BLU

Maiden dividend paid in 2010

Share buyback executed in 2011

ADRs launched in 2013

Acquisitions completed of Retail Mobile Credit Specialists and Viamedia in 2014

FISCAL 2014
Revenue: R19.4 billion

Gross profit: R1.35 billion

EBITDA: R788 million

EMPLOYEES GROUP-WIDE
1 738

HEADQUARTERS
Johannesburg, with offices throughout South Africa

OPERATIONS
South Africa, India, Mexico and United Kingdom

POINTS OF PRESENCE
In excess of 150 000 in South Africa, 130 000 in India and 90 000 in Mexico

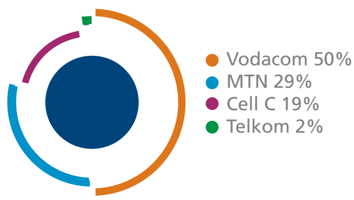
TRANSACTIONS
±400 million separate monthly transactions, 80 million bulk print vouchers distributed per month

BUSINESS MODEL
The high volume distribution and sale of e-tokens of value and complementary services leveraging off a favourable working capital cycle. Long-term contracts with suppliers of products and services underpin the model.

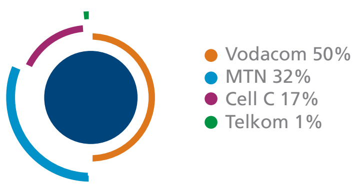
TARGET MARKETS
Focused on serving the total domestic market, in particular unbanked or badly banked consumers, both locally and internationally.

REVENUE SHARE
Rand value of airtime sales per network

DECEMBER 2013 – MAY 2014

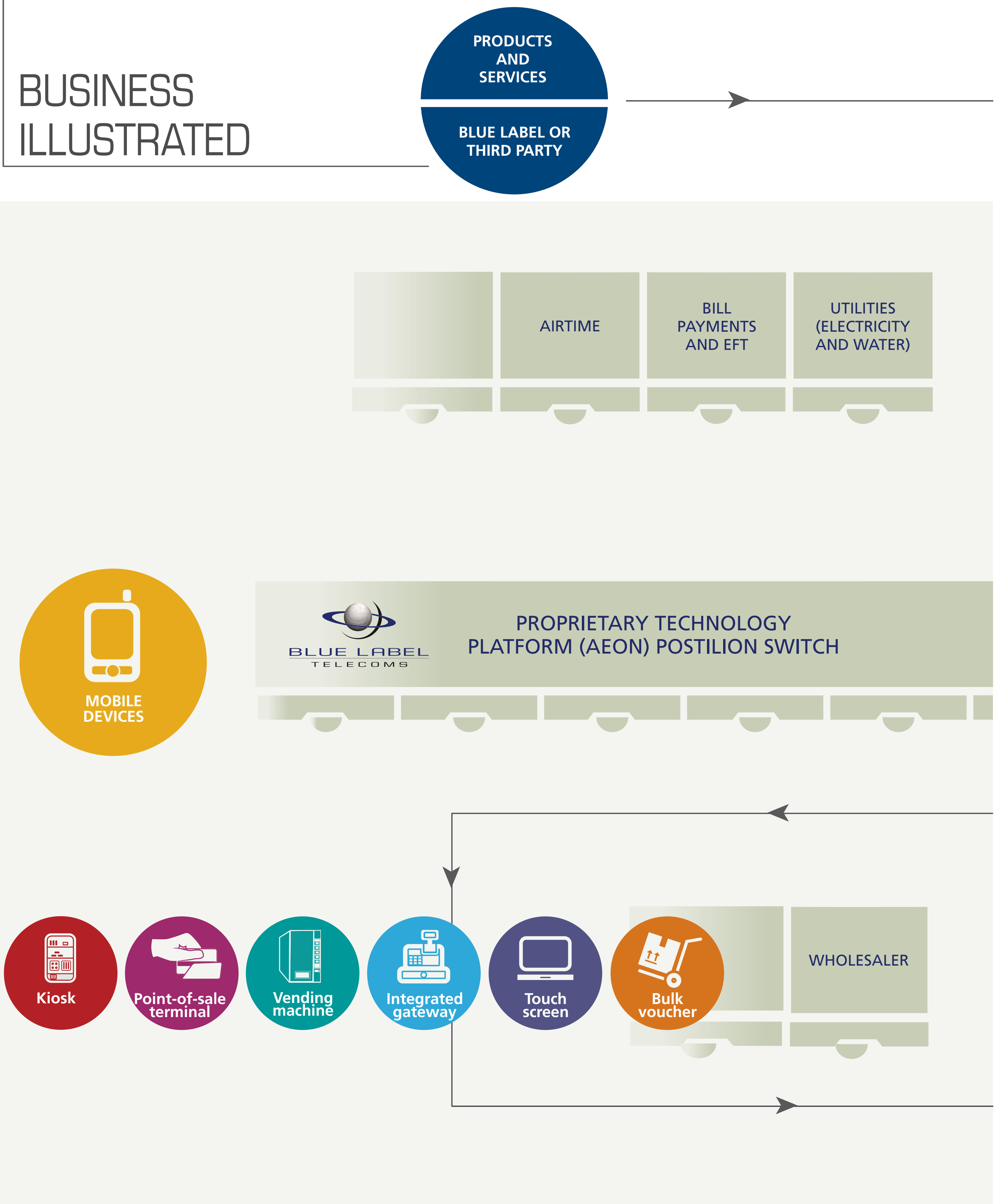


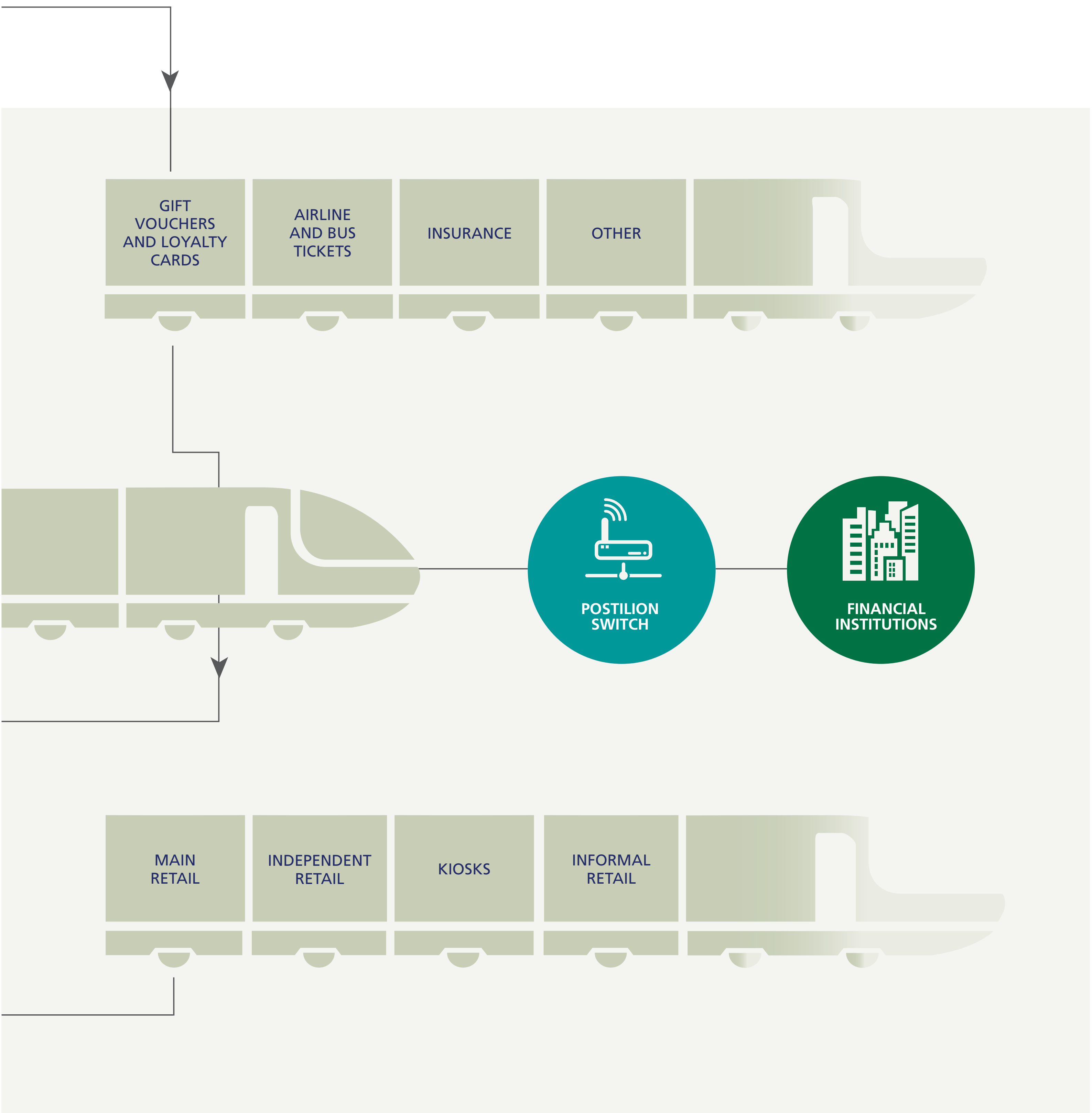
JUNE – NOVEMBER 2013



2014

BUSINESS ILLUSTRATED




GIFT VOUCHERS AND LOYALTY CARDS
AIRLINE AND BUS TICKETS
INSURANCE
OTHER
POSTILION SWITCH
FINANCIAL INSTITUTIONS
MAIN RETAIL
INDEPENDENT RETAIL
KIOSKS
INFORMAL RETAIL

VISION, MISSION AND VALUES

VISION

To become the leading global distributor of secure e-tokens of value and other transactional services within emerging markets.

MISSION

To provide world-class product and service offerings to consumers within the middle and lower tiers of the world's economic pyramid. We aim to achieve this through the development and acquisition of cutting-edge technologies, the expansion of our global footprint of touch points and adherence to our core values.

VALUES

Customer service orientation

Our customers are our most important asset and it is therefore of vital importance to satisfy and meet their expectations on an ongoing basis.

Achievement and drive to succeed

We are a goal-orientated organisation where the achievement of goals and targets are recognised and rewarded.

Honesty and integrity

We value relationships based on honesty and integrity. By conducting ourselves and the way in which we do business with honesty and integrity, we create trust which is a key driver to maintaining stakeholder relationships.

Enjoyment

We believe in an enjoyable work environment that motivates and incentivises employees to be more productive and creative.

Collaboration

Working together as a team and towards a common goal ensures that the Group achieves its objectives and continues to create sustainable value for all its stakeholders.

FINANCIAL HIGHLIGHTS

Increase in gross profit of

R78 million to

R1.35 billion

Increase in headline earnings per share of

6% to

67.98 cents

Increase in gross profit margins

from 6.70% to

6.96%

Increase in dividend per share of

8% to

27 cents

Increase in EBITDA of

10% to

R788 million

Cash flows from operating activities

R907 million

Increase in headline earnings of

6% to

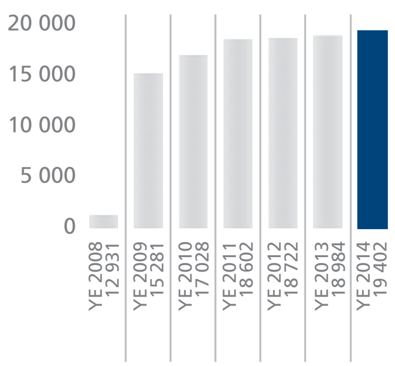
R451 million

FINANCIAL HISTORY

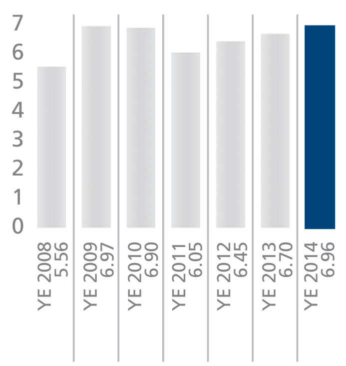
	2014 R'000	2013 R'000
All amounts include continued and discontinued operations		
Revenue	**19 401 666**	18 984 210
Gross profit	**1 349 534**	1 271 245
GP margin (%)	**6.96**	6.70
EBIT	**722 856**	645 671
EBITDA	**787 993**	713 622
Net profit for the year attributable to equity holders of the parent	**450 230**	424 841
Net cash flow from operating activities	**907 332**	(439 794)
Cash and cash equivalents	**1 184 131**	941 282
Capital expenditure	**149 089**	291 605
Ratios	**cents per share**	cents per share
– EPS	**67.88**	64.22
– HEPS	**67.98**	64.17
– Core EPS	**69.44**	66.13
– NAV per share	**524.40**	480.77
– Dividend per share	**25.00***	23.00*
– Dividend cover	**2.52***	2.95*
Weighted average number of shares (thousands)	**663 298**	661 578
Number of employees	**1 176**	1 112

* *Gross ordinary dividend.*
** *Figures relate to the pro forma unaudited information.*
*** *Includes a once-off income receipt of R79.4 million.*

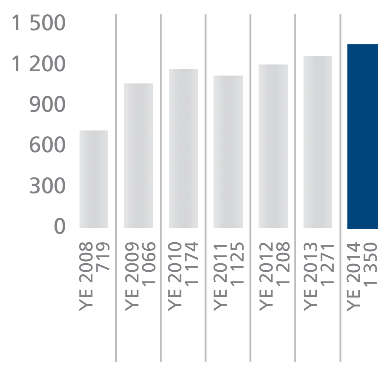
REVENUE (R'million)



GROSS PROFIT MARGIN (%)



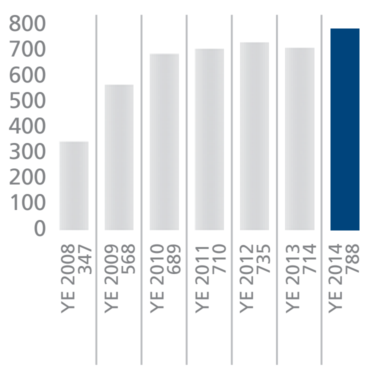
GROSS PROFIT (R'million)



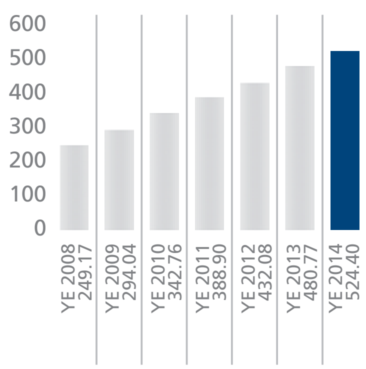
FINANCIAL HISTORY CONTINUED

2012*** R'000	2011 R'000	2010 R'000	2009 R'000	2008 R'000
18 722 080	18 601 571	17 027 696	15 281 449	12 930 609**
1 208 077	1 124 569	1 174 224	1 065 609	719 102**
6.45	6.05	6.90	6.97	5.56**
643 828	517 060	569 459	474 847	273 254**
735 385	710 192	689 244	568 067	346 929**
438 104	431 448	365 022	390 547	269 423**
528 109	427 663	515 910	666 994	(19 796)
1 975 242	2 226 170	2 054 902	1 756 806	1 328 294
164 485	186 196	195 817	103 496	70 136
cents per share	cents per share	cents per share	cents per share	cents per share
61.87	57.04	48.17	51.13	35.16**
64.65	46.20	48.27	51.63	34.86**
64.37	60.34	52.34	55.93	48.40**
432.08	388.90	342.76	294.04	249.17
14.00	12.00	–	–	–
3.30	4.02	–	–	–
708 060	756 359	757 793	763 834	766 361
1 216	1 357	1 620	1 979	1 616

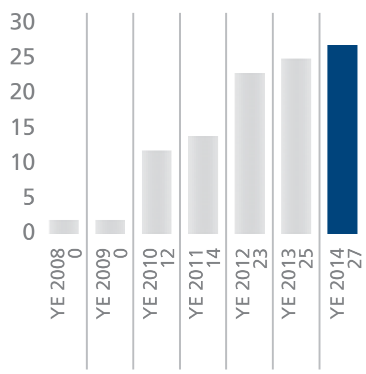
EBITDA (R'million)



NAV PER SHARE (cents)



DIVIDENDS DECLARED PER SHARE (cents)



OPERATING STRUCTURE AND STRATEGIC OBJECTIVES

PRODUCTS AND SERVICES

- Airtime and starter packs
- Electricity
- Ticketing
- Financial services

Strategic objectives → Diverse range of products and services → Growth by rolling out point-of-sale devices and acquisitions → Expanding distribution footprint

BUSINESS SEGMENTS

South African Distribution

Blue Label Distribution

The Prepaid Company
- RMCS

Ventury
- Cigicell (74%)

The Post Paid Company

TicketPros

Activi Deployment Services

Transaction Junction (60%)

International Distribution

Africa Prepaid Services Nigeria (69.91%)

Africa Prepaid Services (90%)

Gold Label Investments
- Oxigen Services India (55.83%)
- Ukash (17.25%)
- 2DFine Holdings Mauritius (50%)

Blue Label Mexico (45,57%)

Mobile

Blue Label One

Cellfind

Blue Label Engage (50.1%)

Panacea Mobile

Simigenix

Viamedia (75%)*

Solutions

Datacel
- Velociti
- CNS Call Centre
- Blue Label Call Centre
- Blue Label Data Solutions (81%)
  - FIDS (25%)
  - Datacision (50%)

100% unless otherwise stated.
** Acquired subsequent to year-end.*

THREE INCOME STREAMS

REVENUE STREAMS

Interest income

The Group's high volumes, coupled with its favourable trading terms, generate significant cash from operating activities. Interest is earned on cash balances.

Annuities

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

Ongoing annuity revenue is earned for the life of each starter pack. Affinity programmes have been introduced to mitigate churn on the starter pack base.

Annuity revenues are earned from subscription-based businesses, where customer retention is a key focus.

Launching additional products and services to new and existing subscriber bases enhances annuity revenue.

Sales of commodities and/ or products and services

The Group is a distributor of virtual and physical prepaid airtime on behalf of the network operators, as well as of electricity on behalf of the utilities. Commodities are purchased and taken into inventory where they are warehoused until resold at a later stage. The Group accounts for these sales at their full face value as reflected in the revenue line.

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

There is an increasing trend for the Group to act as an agent on the sales of certain products and services. Commissions earned for acting as agent are not included in the revenue line, but are accounted for in gross profit.

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 the treatment of the revenue generated, as only the gross profit earned is accounted for. Therefore, the effective growth in Group revenue would have equated to 6% for the year.

The same approach applies to accounting for electricity sales, where the Group acts 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 gross profit.

In our business model, the metrics for measuring growth should be gross profit and gross margin achieved, as revenue is not necessarily a proxy for the Group's growth.

MATERIAL IMPACTS AND RISKS

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

Risk	Context	Mitigating factors
Fluctuating economic conditions, including certain political, social and environmental conditions in South Africa	These factors can 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 and strikes. Consumers appear to be unwilling to reduce spending on utilities, transport and airtime. In this regard the Group's products continue to be in demand. The Group is focusing on its existing platforms, both locally and internationally. Its vast geography of point-of-sale presence afford continuous opportunities to provide additional products and services to be expedited on these growing points of presence.
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.

MATERIAL IMPACTS AND RISKS CONTINUED

Risk	Context	Mitigating factors
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 prevailing 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, Mauritius and Mexico.	Associate and joint venture companies in the UK, Mauritius 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.
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.	Legislation that affects the Group is identified, analysed and categorised according to its impact and relevance. The process is ongoing to test and ensure ongoing compliance on an operational level.

MATERIAL IMPACTS AND RISKS CONTINUED

Risk	Context	Mitigating factors
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 short-term 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 and will remain entrenched. The Group will continually develop and upgrade new, innovative products to strengthen the foundation of its middle man status. 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, and 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 simultaneously delivering 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 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 Group's service delivery.	Management recognises the importance assigned to IT in its corporate governance systems. The technology team has been strengthened – in people, skills and capacities. The Group's Business Continuity and Disaster Recovery Plan provides guidance for emergency and crisis management, business unit recovery and technology disaster recovery. The latter includes the restoration of IT 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 and limit damage to normal operations; ➔ minimise the economic impact of the interruption; ➔ establish alternative means of operation in advance; ➔ train personnel on emergency procedures; ➔ provide for rapid restoration of service, ensuring availability/continuity of critical business operations; and ➔ communicate appropriately to relevant stakeholders.

BUSINESS ETHICS

ETHICAL LEADERSHIP AND BUSINESS CONDUCT

Good corporate governance is essentially about effective and responsible leadership. It 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.

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 whistleblowing hotline service providers operating their own centres or facilities.

The only incident reported during the year under review was human resource-related and was resolved by the Group Human Resources Manager.

2014

BOARD OF DIRECTORS

1.

2.

3.

4.

5.

6.

7.

8.

9.

10.

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

Board committee participation

Remuneration and Nomination Committee: Chairman of Nomination Committee and member of Remuneration Committee

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 earned him 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 Levy. 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 joined the Board on its establishment in 2007, and is a director of various other companies, including some local and global Group companies.

Board committee participation

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 from Unisa with a BCompt in 1993. After some years as a commodities trader, he decided to pursue the 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 Levy, Mark received 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 joined the Board on its establishment in 2007, and is a director of various other companies, including some local and global Group companies.

Board committee participation
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 PwC before joining Mercantile Bank's corporate finance department. In 1999 he moved to 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 SAICA and the Young Presidents Organisation.

Mark joined the Board on its establishment in 2007, and is a director of various other companies, including some local and global Group companies.

Board committee participation
Executive Committee: Member
Investment Committee: Member

BOARD OF DIRECTORS CONTINUED

5. DEAN SUNTUP

Financial Director
BCom (Wits) (Hons) (Unisa), CA(SA)
Born: 1977

Dean completed his articles at PwC where he continued working after qualifying as a Chartered Accountant, assisting in the audits of various large corporations and multinationals. In 2003 he joined BSC Technologies Proprietary Limited, a business established by Brett and Mark Levy, and later became its Financial Director. In 2005 Dean transferred to The Prepaid Company in the role of Financial Director. Dean is a member of SAICA.

Dean joined the Board on his appointment as Financial Director of Blue Label Telecoms in November 2013, and is a director of various other Group companies.

Board committee participation

Executive Committee: Member
Investment Committee: Member
Social, Ethics and Transformation Committee: Alternate member to Brett 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 participation

Investment Committee: Member
Social, Ethics and Transformation 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 became 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.

He is also Chairman and/or director of various Group subsidiaries.

Board committee participation

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. After completing articles, he was admitted as an attorney in 1983 and a year later as an advocate, practicing at the Johannesburg bar. Neil was appointed as Senior Counsel by former President Mandela in 1998 and has 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.

Board committee participation

Investment Committee: Member
Social, Ethics and Transformation Committee: Member
Remuneration and Nomination Committee: Chairman of Remuneration Committee and member of Nomination Committee
Audit, Risk and Compliance Committee: Attendee

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 largest black accounting firm in South Africa. In 1999, he led a management buyout of Gobodo Corporate Finance from the accounting firm and rebranded 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 participation

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 was previously a director of PPC Limited and currently holds directorships at Goliath Gold Limited, Sibanye Gold Limited, Saatchi & Saatchi and Kazzi Corporate Wear. Jerry is a member of the National Planning Commission and the Presidential B-BBEE Advisory Council. He is an adviser to Citi Bank.

Board committee participation

Social, Ethics and Transformation Committee: Chairman
Audit, Risk and Compliance Committee: Member

2014

SENIOR MANAGEMENT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SENIOR MANAGEMENT CONTINUED

1. NIEL BARNARD
Chief Executive Officer – Blue Label Mobile
BSc (Information Technology) (Programme Management), MCSE (Unisa)

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 University)

5. TANYA GROTA
Group Finance – Chief Technical Adviser
BCom (Hons) (Wits), CA(SA)

6. INGRID HINDLEY
Group Head of Human Resources
BSocSci (Hons) (Industrial Psychology) (Natal)

7. JABU MOGANE
Director Sales and Marketing for Community Channels

8. ANDREW MURRAY
Chief Information Officer
BSc Eng (Wits)

9. ANN NGWENYA
Senior Business Development Manager
BA International Relations (Northern Kentucky University), Public Relations Diploma

10. LARRY POGIR
Executive Chairman – Blue Label Data Solutions
BCom (Unisa)

11. ARCHIE RANTAO
Director of Sales Community Channels

12. JANINE VAN EDEN
Group Company Secretary
BProc LLB (RAU)

13. WERNER VAN REENEN
Chief Executive Officer – Blue Label Distribution
BCom (Hons) (Marketing) (Unisa)

CHAIRMAN'S REPORT

"This year we continued to achieve compounding growth, while increasing our distribution footprint."

Larry Nestadt,
Chairman

CHAIRMAN'S REPORT CONTINUED

DEAR STAKEHOLDERS

Blue Label continues setting new paradigms for traditional businesses. This innovation may be illustrated as a virtual railway system, powered by a sophisticated and proprietary locomotive – technology, which distributes prepaid goods and services. Each additional product distributed is another carriage on the train and incremental products can be added at minimal additional cost, as the heavy lifting to establish the distribution network is already in place. As a result, profit margins filter straight to the bottom line. Our virtual railway now also crosses borders, predominantly in India and Mexico, in replicating the business model implemented in South Africa.

Thirteen years ago we started commercialising the Levy brothers' concept of offering prepaid airtime to unbanked and under-banked consumers. The model has now evolved into a business distributing secure electronic tokens of value in emerging markets. Through judicious investing in the distribution channel by rolling out various types of point-of-sale devices, we deliver both physical and virtual products countrywide.

The business model is underpinned by long-term relationships, be it with the major mobile network operators, electricity suppliers and utilities, registered banks and merchant acquirers, or with associates and joint venture partners.

The Group's strategy is consistent – to diversify the range of products we offer while expanding our distribution footprint through organic and acquisitive growth. This year our expansion pace increased.

In South Africa, distribution has crystallised into four categories of products and services. These are prepaid airtime and starter packs, prepaid electricity, event and transport ticketing, and financial services such as bill payments, merchant acquiring using debit and credit cards and mobile banking. Acquisitions totalling R336 million were completed, including RMCS. Subsequent to year-end we announced the purchase of a majority stake in Viamedia.

In India the uptake of money transfer products has been rapid, while in Mexico growth in our merchant acquiring services is progressing steadily, simultaneously with our POS project roll-out.

The Group reported a growth in headline earnings per share of 6% to 67.98 cents, on an EBITDA increase of 10% to R788 million. These results were achieved on growth in revenue, margin increases and the limiting of growth in overhead.

CHAIRMAN'S REPORT CONTINUED

Cash generated of R907 million from operating activities resulted in cash resources accumulating to R1.2 billion net of cost of acquisitions.

On 19 August 2014, the Board approved ordinary dividend No 5 of 27 cents per share (2013: 25 cents per share), which equated to a dividend cover of 2.48 times on headline earnings.

The Board acknowledges that exemplary leadership requires directors to keep a steady eye on the long-term corporate goals, always cognisant of potential movement in the industry going forward. The Audit, Risk and Compliance Committee assists the Board in identifying and assessing material risks to the Group, with the aim of supporting enterprise-wide risk management. The report of the Committee, as well as the summary of material impacts and risks are included in this integrated annual report.

Given that the Group is driven by advanced technology, there is a strong focus on technology governance and skills.

In taking cognisance of relevant changes to the legislative environment, the Board is reviewing potential transition arrangements to ensure compliance with the Broad-Based Black Economic Empowerment Act.

Through the activities of the Social, Ethics and Transformation Committee, expenditure on uplifting communities reached R5.1 million. This spend was mainly directed towards the Boys and Girls Clubs of South Africa and other youth programmes, along with HIV/Aids and health awareness programmes, where our support continues, as co-founders, of parkrun SA.

Looking ahead the Group expects that the recent acquisition of RMCS and Viamedia will enhance profitability, and will afford it access to new products and services, as well as to new distribution channels. The Group's propensity to generate positive cash flows from its operating activities will continue to facilitate opportunities, both on an acquisitive and trading basis, as well as for the distribution of dividends to shareholders. The growth in rolling out prepaid electricity meters is likely to continue, enhancing future revenues.

TicketPros, our ticketing provider, continues to expand its service offering to a myriad of events and activities.

The Group's distribution footprint is perfectly positioned to offer a money transfer solution extending its reach across all sectors of the South African economic landscape.

On the international front, Oxigen Services India's mobile wallet, which facilitates instant money transfers, is expected to gain momentum. Blue Label Mexico continues with its objectives of expanding its footprint and increasing the range of its product and service offerings.

CHAIRMAN'S REPORT CONTINUED

With effect from 14 November 2013, David Rivkind stepped down as Financial Director in order to pursue other business opportunities. During his 11-year tenure David made a stand-out contribution in leading the Group's finance and administration activities. In terms of our internal succession plan, we welcomed Dean Suntup, previously Financial Director of The Prepaid Company, to the Board as the Group's Financial Director and look forward to extending our working relationship with him in his new position.

I thank the Board, the management team led by Brett Levy and Mark Levy, all employees and other stakeholders for their support over the past year.

Larry Nestadt
Chairman

22 October 2014

"In the future, the distinction between high and low-income countries, or between emerging and mature markets, will not matter. The question will be whether an economy can innovate." Professor Klaus Schwab – Founder and Executive Chairman of the World Economic Forum.

CONVERSATION WITH JOINT CHIEF EXECUTIVE OFFICERS

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.

Mark Levy and Brett Levy,
Joint Chief Executive Officers

CONVERSATION WITH JOINT CHIEF EXECUTIVE OFFICERS CONTINUED

BLUE LABEL IS A DISTRIBUTOR OF VIRTUAL GOODS

We are the leaders in what we do. In South Africa, where we started commercialising our innovation, we now distribute various categories of goods and services: prepaid airtime and starter packs, prepaid electricity, ticketing, merchant acquiring, bill payments and financial services. Our footprint across India, Mexico and the UK also continues to expand.

Blue Label is a lifestyle enabler. Through the deployment of a myriad of different types of touch points, we are able to deliver products and services in an effective and efficient manner, while capable of facilitating convenient and suitable payments – be it cash, EFT, debit and credit cards. As we say *'If it can be digitised it can be distributed by us'*.

BLUE LABEL IS ANALOGOUS TO A VIRTUAL RAILROAD DELIVERING PREPAID GOODS AND SERVICES

The more often we repeat this analogy, the easier it is to follow it. Our business is about the distribution of secure electronic tokens of value and services, and can be compared to a virtual railroad. We commenced building our virtual railroad with our proprietary platform, AEON, as the enabling carrier 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, which results in profit margins filtering straight through to the bottom line.

The importance of distribution is how we leverage the last mile of our distribution channel which we have built. Whoever manages the last mile of the channel, actually owns the ability to extend products and services into the 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.

We are a B2B distribution and payments company, where our proprietary platform acts as a neutral aggregator in delivering products and services. We should not be likened to the more capital intensive mobile network operators, as our capital expenditure is mostly geared to the production of income, supported by an inexpensive, yet sophisticated, POS device.

BARRIERS TO ENTERING OUR MARKETS

Some of these barriers to entry are our greatest assets, which fortify our foundations:

- Lag times in negotiating supplier and customer contracts can hinder integration.
- Long-term contracts and relationships with customers and suppliers are strong levers to sustainability.
- Lock-out periods for processing new and developing technologies.
- Rolling-out devices takes time.
- Integrating systems are time consuming, as customers prioritise their own needs/objectives and/or products and services.
- Our technology platforms:
  - AEON is proprietary, agnostic, offering neutral aggregation, plug 'n play, proven, scalable, no fees payable to third parties.
  - Postilion switch is unique for banking and financial services graded transactions.

CONVERSATION WITH JOINT CHIEF EXECUTIVE OFFICERS CONTINUED

- Our expanding distribution channel comprising about 150 000 POPs in South Africa, 130 000 in India and over 90 000 in Mexico.
- Reputable local operating partnerships in each International region.
- Enviable trust developed in relationships with our stakeholders during 13 years of business experience.

OUR COMPETITIVE EDGE DIFFERENTIATES US

We see few competitors in the horizontal plane, i.e. there are only a minimal number of names that offer the same breadth of products and services as we do. In the individual verticals of product or service, we do experience competitors facing up to us from time to time. This immediately provides us with an edge, as we have more products and services to spread across our cost base. We are able to identify the following factors which differentiate us in the market:

- Our financial strength and stability derived through generating 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 groups.
- Our unique ability to collect small amounts of money from consumers efficiently.
- Our capability of performing multiple types of transactions from the same terminal.

The Group's entrepreneurial ethos may also set us apart from competitors.

SKILLS DEVELOPMENT, SUCCESSION PLANNING AND A 'CAN-DO CULTURE'

Technological developments continue to drive the Group. Consequently, we are required to identify, hire, develop and retain a large number of talented and skilled engineers and specialists. We have a number of initiatives in place to address this need, including training and succession planning.

We continually strive to retain and instil our entrepreneurial culture across the organisation. Therefore, it is probably no coincidence that we see high levels of entrepreneurial flair among our staff complement, business partners and associates. We can identify a number of traits which characterise us, viz. our attitude to life, the will to achieve, and our spirit and vision, all of which are encapsulated in our 'can-do culture'.

ACTIVE PIPELINE OF ACQUISITIONS

In delivering on our stated M&A strategy, we consider acquisitions that are earnings enhancing, add to our product line, distribution network or geography and which are of a strategic or defensive play. Internationally, we have impressive partners with whom we could consider extending growth opportunities.

CONVERSATION WITH JOINT CHIEF EXECUTIVE OFFICERS CONTINUED

- **Retail Mobile Credit Specialists:** We announced the acquisition in December 2013 and completed the transaction in April 2014. The initial cash consideration was R299 million, with an additional amount of R15.4 million paid in June 2014. RMCS affords us access to new distribution channels for the sale of both the RMCS and Blue Label ranges of products and services. Integration of the business and its people have now been completed.
- **Viamedia:** Post year-end we announced the purchase of a 75% stake for an initial consideration of R144.4 million. Additional payments up to R103.1 million on a piecemeal basis will be payable if warranted profits are achieved over the next three years. A further R112.5 million will be payable if stretch targets are achieved over and above the warranted profits. Through Viamedia's unique technology platform it sells mobile entertainment and information services to consumers.

EXPANDING OUR PRODUCT RANGE TO INCLUDE THREE MORE CATEGORIES OF PRODUCTS AND SERVICES

In addition to distributing prepaid airtime and electricity, we have now introduced two more categories of products and services, as our plan to extend financial inclusion to more communities continues to unfold:

- **Ticketing:** Following the purchase of TicketPros, an advanced ticketing engine, we entered the event and transport ticketing during the financial year. At launch, TicketPros became the exclusive partners of Cricket South Africa, the Blue Bulls and Western Province Rugby. Hence our reach into selected sports sponsorships. This was complimented by sponsorship of the South African T20 Cricket team.
- **Financial Services:** The main service is bill payments, which offers additional pay points for the top national Bill Issuers, as well as the major Municipal and Local Councils through the universe of the Group's merchants. Other products include EFTs, money transfers, mobile banking and white label money wallets. Towards the end of 2013 we announced a merchant acquiring agreement with ABSA bank and MasterCard providing merchants in the informal retail sector with card acceptance terminals. MasterCard also supports the POS acquiring terminal roll-out destined for areas where banks cannot find value in deploying their own terminals.

TURBULENCE IN THE SOUTH AFRICAN MARKET

Ultimately, the economic health of consumers in certain LSM groups, particularly those affected by industrial action, gives us occasional cause for caution.

Our policy on margin compression remains consistent. Any change in price is passed onto the distribution channel, although we acknowledge it does place pressure on our distribution planning, as merchants then seek more value-added products and services from us. Cognisant of change, our recent analysis of the route to market is informing us as to where to build on existing strengths, and is identifying new opportunities to entrench our distribution footprint in urban and rural areas – be it in independent and wholesale channels or petroleum forecourts.

CONVERSATION WITH JOINT CHIEF EXECUTIVE OFFICERS CONTINUED

OPERATING PERFORMANCE – SOUTH AFRICA

The South African business remains the predominant contributor to the Group's profitability. Currently, we are investing in our distribution channel, mainly by expanding our fleet of trucks and team of accompanying foot soldiers.

Income is derived from three main pillars: the sales of commodities (such as airtime and electricity), income from annuity transactions (from our SIM card base, contractual Vodacom starter packs and location-based services and other subscription services) and interest earned on surplus cash.

Over the years we have aggressively innovated, adapted and diversified our business model to prevailing circumstances. Examples are the introduction of prepaid electricity, formalising the business into a number of categories of products and identifying discounting opportunities in bulk purchasing of inventory and on early settlement discounts.

INTERNATIONAL DISTRIBUTION

In both Mexico and India, the catalyst for growth is in strategically augmenting our range of products and services, while expanding our distribution footprint. This requires rolling out higher-specification devices in both countries.

- **Blue Label Mexico:** Following the launch of merchant acquiring facilities announced late last year, our merchants are progressively upgrading their devices to accept debit and credit card transactions, thereby enabling consumers to shop where they live. The project to deploy up to 123 000 POS terminals is progressing steadily, with over 70% now installed.
- **Oxigen Services India:** While the country is the size of a continent, the telecoms recharge market is characterised by wafer-thin airtime margins. As a result, we have made a conscious shift towards providing versatile payment solutions in the financial services sector. Opportunities in this sector include the domestic and international remittance market, which is estimated to reach USD90 billion in calendar 2014.

MEASURING GROWTH

We believe our growth should be measured by gross profit or gross margin achieved. This is because there is an increasing trend for us to act as an agent on sales of certain products and services, of which only the commission or gross profit earned and not the face value of the sale, is included in the revenue line.

CONVERSATION WITH JOINT CHIEF EXECUTIVE OFFICERS CONTINUED

The popularity of PINless products continues to grow as evidenced by consumer buying patterns. In distributing PINless products, such as 'direct top-ups', only the gross profit earned on such sales are included in revenue. 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. This means that only the commissions earned by us, and not the face value of the sales, are included in revenue. On imputing the gross sales generated in PINless airtime, Group revenue effectively increased by 6%.

Gross profit increased by R78 million to R1.35 billion supported by margin increases from 6.70% to 6.96%.

Operations continue to generate strong levels of cash, enabling the Group to consider further acquisitions and to continue to declare dividends to shareholders.

Brett Levy **Mark Levy**
Joint Chief Executive Officers

22 October 2014

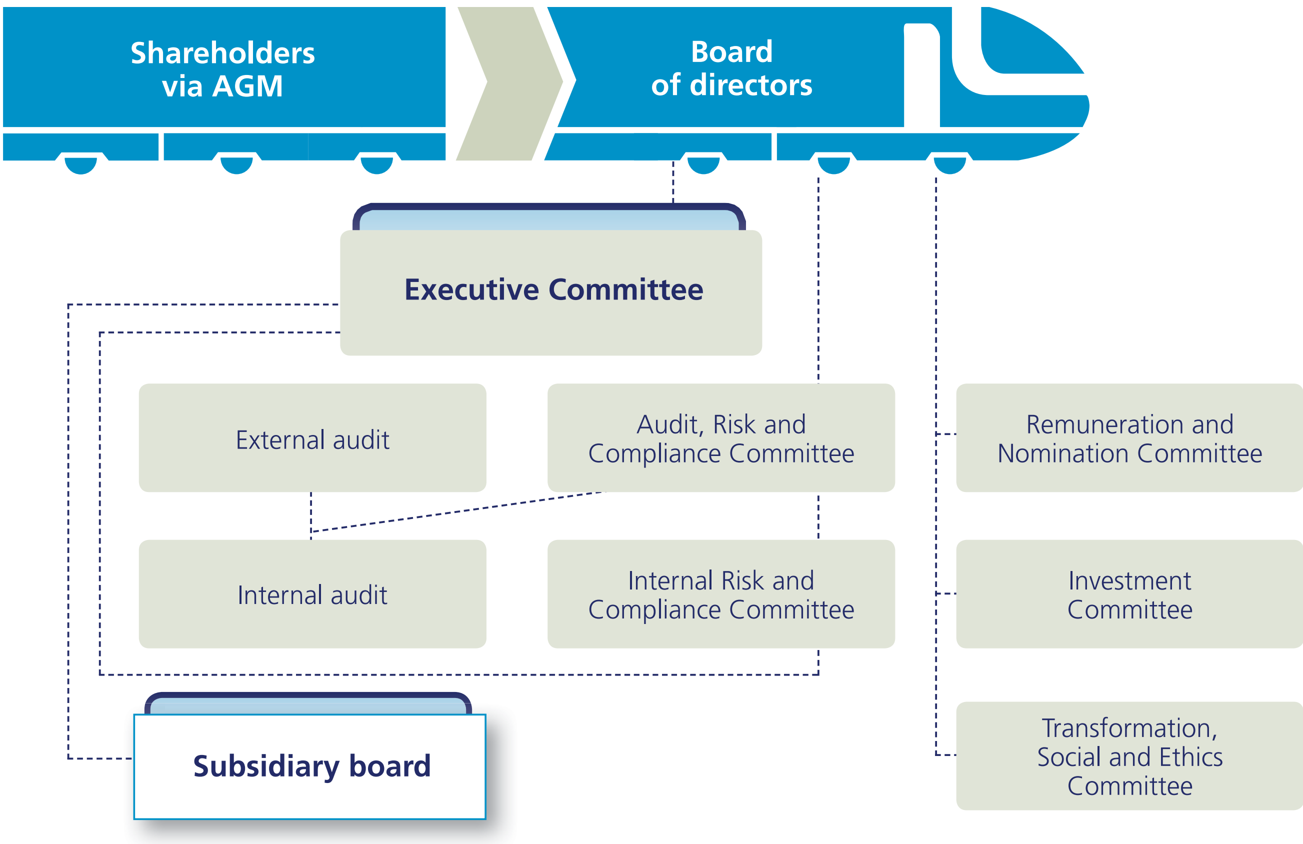
2014

GOVERNANCE FRAMEWORK

The Board regards governance as a fundamental essential for the success of the Group's business. It is committed to applying the principles of good governance in directing and managing the Group in order to achieve its strategic objectives. The Board is the focal point for, and custodian of, the Group's governance framework, supported by its committee structures, relationship with management, shareholders and other stakeholders of the Company. The Board is ultimately accountable for the performance and affairs of the Company.

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 are key drivers of Group performance. In the operating subsidiaries, governance processes are aligned with the governance framework established by Blue Label. Each subsidiary Company has its own Board of directors and its 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 each year. Subsidiary boards comprise executive and non-executive directors, some of whom are executive and non-executive directors of Blue Label.

GOVERNANCE FRAMEWORK



GOVERNANCE FRAMEWORK CONTINUED

APPLICATION OF KING III

Blue Label is committed to King III and continues to develop its governance policies, practices and procedures, in line with an integrated governance, risk and compliance framework. The Board is responsible for ensuring the principles contained in King III are applied. 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.

BOARD OF DIRECTORS

Board composition

Blue Label has a unitary Board structure, comprising 10 directors. Four are independent non-executive directors, while two are non-executive and four are executive directors. A short curriculum vitae of each of the directors appear on pages 21 to 25 of the integrated annual report.

The Board has an appropriate balance of independent directors and non-executive directors. In line with King III, the roles of the Chairman and the Chief Executives are separate. The Board is led by Larry Nestadt, an Independent Non-Executive Chairman. The Joint Chief Executives are Brett Levy and Mark Levy.

The Chairman's role includes setting the ethical tone for the Board and in ensuring that the Board remains efficient, focused and operates as a unit. The Chairman provides overall leadership to the Board, without limiting the principle of collective responsibility for Board decisions. He also ensures appropriate communication with shareholders and facilitates constructive relations between the executive and non-executive directors.

The Joint Chief Executives' principal role is to provide leadership to the executive team in running the Group's businesses. The Board defines the Group's levels of authority, reserving specific powers for the Board, while delegating others to senior management. The collective responsibility of management vests in the Joint Chief Executives who regularly reports to the Board on the Group's objectives and strategy.

The Group Financial Director is Dean Suntup. The Audit, Risk and Compliance Committee is satisfied that he has the appropriate expertise and experience for this position.

The role of the Board and Board procedures

The Board directs the Group towards and facilitates the achievement of Blue Label's strategy and operational objectives. It is accountable for the development and execution of the Group's strategy, operating performance and financial results. Its primary responsibilities include: determining the Group's purpose and values, providing strategic direction to the Group, appointing the Joint Chief Executives, identifying key risk areas, key performance indicators of Blue Label's businesses, monitoring the performance of the Group against agreed objectives, deciding on significant financial matters and reviewing the performance of executive management against defined objectives. A range of non-financial information is also provided to the Board to enable it to consider qualitative performance factors that involve broader stakeholder interests.

The Board, which meets at least quarterly, retains full and effective control over all the operations. Additional Board meetings, apart from those planned, are convened as circumstances dictate.

GOVERNANCE FRAMEWORK CONTINUED

The Board has unrestricted access to all Group information, records, documents and resources to enable it to properly discharge its responsibilities. Management is tasked with ensuring that Board members are provided with all relevant information and facts to enable the Board to reach objective and informed decisions.

Board meetings are scheduled well in advance and Board documentation is provided timeously. The Board agenda and meeting structure assist the Board in focusing on corporate governance, its legal and fiduciary duties, Group strategy and performance monitoring, thus ensuring that the Board's time and energy is appropriately applied. Directors are kept informed of key developments affecting the Group between Board meetings. Non-executive directors have access to management and may meet separately with management without the attendance of executive directors.

The Board acts in the best interests of the Group 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 appraised of the Group's going-concern status and monitors the solvency and liquidity of the Company and Group on a regular basis.

Board Charter

The Board has adopted a written charter to assist it in conducting its business in accordance with the principles of good corporate governance and legislation.

The purpose of the Board Charter is to ensure that each director is aware of the powers, duties and responsibilities when acting on behalf of the Company. The Board Charter is subject to the provisions of the Act, JSE Listings Requirements, the Company's Memorandum of Incorporation, and all other applicable legislation. The salient features of the Board Charter are:

- role and function of the Board;
- detailed responsibilities;
- discharge of duties;
- Board composition; and
- establishment of committees.

Board appointments

A third of the directors retire by rotation every three years in terms of the MOI. If eligible, available and recommended for re-election by the Remuneration and Nomination Committee, their names are submitted for re-election at the Annual General Meeting, accompanied by a short curriculum vitae set out in the integrated annual report. Shareholders approve the initial appointment of each new director at the first annual general meeting of shareholders following that director's appointment. In this regard Messrs, BM Levy, MS Levy and MV Pamensky 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 and 22.

GOVERNANCE FRAMEWORK CONTINUED

The Remuneration and Nomination Committee assists the Board with the assessment, recruitment and nomination of new directors, subject to the whole Board approving these appointments. Board members are also invited to interview potential appointees.

A formal and transparent procedure applies to all Board appointments, which are subject to confirmation by the shareholders at the Annual General Meeting. Prior to appointment, potential Board appointees are subject to a fit and proper test, as per the JSE Listings Requirements.

Induction of a new director 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 the Board is kept abreast with governance, regulatory and operational developments.

During the year the Board and its committees assessed its performance and effectiveness according to the following categories:

- effectiveness and composition
- dynamics
- risk management
- succession planning
- ethical leadership
- corporate citizenship

Based on the consolidated feedback from the assessment, the Board is satisfied with the overall performance and effectiveness of the Board, its members and the committees. No major areas of concern were identified.

Company Secretary

The Company Secretary's roles and responsibilities are set out in the Act. According to the Act the Company Secretary has duties towards the Board, the Group and shareholders.

All directors have full access to all Group information, property and records, and the services and advice of the Group Company Secretary or, where appropriate, to the services of independent professionals and advisers. The Company Secretary is neither a director of the Board nor a director of the Blue Label Group's operations and therefore maintains an arm's-length relationship with the Board and its directors.

Board duties include ensuring that the Blue Label Board complies with procedures and regulations of a statutory nature, such as changes in legislation or practices that might affect Board members in their capacity as directors.

All meetings of shareholders, directors and Board committees are properly recorded and distributed.

The Company Secretary also ensures that all Board and committee charters are kept current, and assists in the evaluation of the Board, directors and committees. The Company Secretary offers advice to directors on business ethics and good governance. She also plays a role in ensuring that the Board's policies and instructions are communicated to relevant persons in the Group and that pertinent issues from management are referred back to the Board where appropriate.

The performance appraisal of the Company Secretary for the year under review took into account the quality of support received and guidance provided to the Board. All parties were satisfied with the quality of support received as well as the competency and experience of the Company Secretary .

GOVERNANCE FRAMEWORK CONTINUED

The Company Secretary is responsible for complying with the JSE Listings Requirements. This includes the preparation and submission of all relevant communication, including SENS announcements, to the stock exchange.

Board committees

The Board has delegated certain functions to well-structured committees without abdicating its own responsibilities. Board committees operate under written terms of reference approved by the Board. Board committees are free to take independent professional advice as and when deemed necessary, for which a formal policy is in place. The Group Company Secretary provides secretarial services for the committees.

There is transparency and full disclosure from Board committees to the Board. The minutes of committees are submitted to the Board for noting and discussion. In addition, directors have full access to all Board committee documentation and committee chairpersons provide the Board with verbal reports on recent committees activities.

The Board is of the opinion that all Board committees have effectively discharged their responsibilities, as contained in their respective terms of reference.

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 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* DA Suntup* SJ Vilakazi	More information on the activities and responsibilities of the committee is included on pages 67 to 70.

C – Chairman.
** Attendee.*

GOVERNANCE FRAMEWORK CONTINUED

Committee	Members and attendees	Principal activities
Remuneration and Nomination (bi-annually)	NN Lazarus SC (C of RC) LM Nestadt (C of NC) EC de Villiers* GD Harlow BM Levy* MS Levy* DA Suntup*	→ 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 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 62 to 66.
Social, Ethics and Transformation (bi-annually)	SJ Vilakazi (C) MJ Campbell* EC de Villiers* KM Ellerine GD Harlow IJ Hindley* NN Lazarus SC* BM Levy (alternate DA Suntup)	→ 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 71.
Investment (ad hoc, minimum two)	GD Harlow (C) EC de Villiers* KM Ellerine DR Hilewitz (Consultant) NN Lazarus SC BM Levy MS Levy JS Mthimunye MV Pamensky 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.
** Attendee.*

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	5	1	4	2	2	4
Directors, members and attendees	Number of meetings attended					
LM Nestadt	5	1	NM	1•	NM	NM
KM Ellerine	5	1	NM	2ΔΔ	1	–§
GD Harlow	5	1	4	2	2	4
BM Levy	5	1	4√	2√	2	3
MS Levy	5	1	4√	2√	NM	4
NN Lazarus SC	5	1	4Δ√	2	2√	4
JS Mthimunye	4	1	3	NM	NM	3
MV Pamensky	5	1	NM	NM	NM	3
DB RivkindΔ	2	–	2√	1√	NM	3
SJ Vilakazi	3	–	4	NM	2	NM
DA Suntup**	3	1	4√	1√	NM	4
DR Hilewitz	NM	NM	NM	NM	NM	4

Special Board 1 April 2014.
NM Not a member.
√ *Attendee.*
Δ *Resigned November 2013.*
** *Appointed November 2013.*
• *Appointed chairman of Nomination Committee November 2013.*
ΔΔ *Resigned May 2014.*
§ *Appointed May 2014.*

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. Blue Label's approach and application of King III is explained in the table below, which also summarises chapter 2 of the principles of King III. The complete register is available on the website at 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. The Board Charter has been reviewed 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; and → deal in securities only in accordance with the policy adopted by the Board.

KING III SUMMARY CONTINUED

Chapter and principle	Comments on application
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. See Chairman's curriculum vitae on page 21.
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.
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; and ➔ four independent non-executive directors.
Directors should be appointed through a formal process	The RNC is a committee of the Board and assists in identifying and selecting suitable members who will meet the Board's requirements in terms of knowledge, skills and resources. All appointments are made in compliance with the Companies Act, Listings Requirements and the Company's MOI.

KING III SUMMARY CONTINUED

Chapter and principle	Comments on application
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.
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	In line with business best practice and King III, an appraisal of the performance of the Board, its committees and individual directors was completed during May 2014. The appraisal was undertaken by means of a self-assessment questionnaire. There was 100% participation by all the directors. In general, the appraisals revealed that the Board and committees were performing well. Areas identified as requiring development were acknowledged and discussed at Board level. Board and committee assessments are conducted annually in the form of written responses and tabled at the Board for review and implementation of follow-up actions to improve on identified weaknesses.
The Board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	The Board has appointed the following committees to assist it in its duties: ➔ ARCC ➔ Investment Committee ➔ RNC ➔ Social, Ethics and Transformation Committee ➔ Exco

KING III SUMMARY CONTINUED

Chapter and principle	Comments on application
A governance framework should be agreed between the Group and its subsidiary boards	The governance framework is applied by subsidiary boards.
Companies should remunerate directors and executives fairly and responsibly	The 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 2013.

GOVERNANCE OF RISK

STRUCTURE

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.

Management is accountable to the Board for designing, implementing and monitoring the process of risk management. The IRCC, established by management, supports 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.

PROCESS

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 14 to 18.

A risk appetite and tolerance framework has been developed in line with the principles of King III and the framework was presented to the ARCC for consideration and has been approved/noted 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 has elected to set risk tolerances in respect of each of the prioritised risks. This framework is refined during each reporting period.

GOVERNANCE OF RISK CONTINUED

TECHNOLOGY GOVERNANCE

The Board is responsible for the Group's technology governance risk and compliance. The Board has delegated its responsibility for the implementation of IT governance to management. Management has developed an IT Governance Framework which has been adopted, and the Information Security Officer is driving a number of programmes across the organisation to ensure it is effectively communicated and that all Group companies are informed of the framework and associated policies. Management is implementing a number of controls to ensure that the policies are effectively adopted and maintained across the organisation.

A number of areas relating to technology governance have 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 a 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.

COMPLIANCE REPORT

Blue Label has created a compliance function to assist in discharging legal and regulatory responsibilities. It is planned to mature the function to monitor, research and report on the regulatory environment in which the Group operates. The compliance function reports to the ARCC.

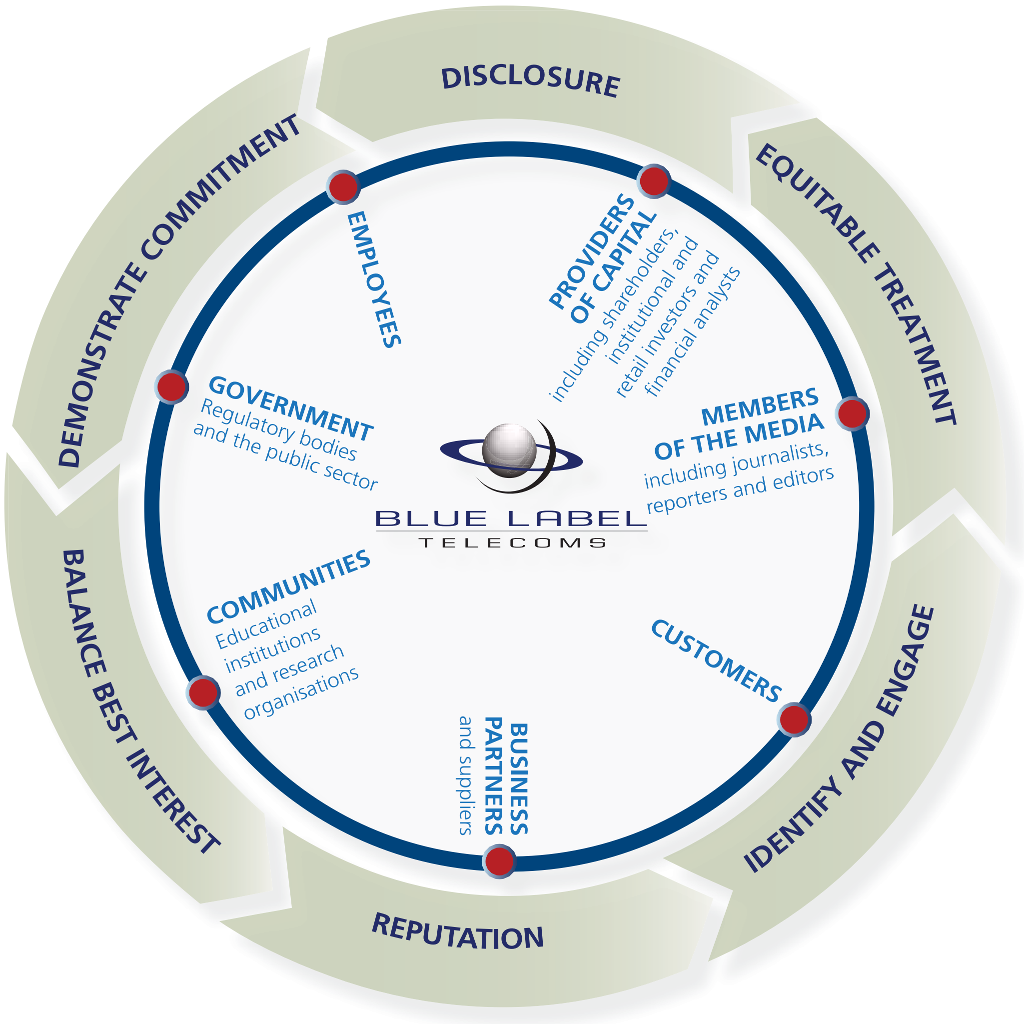
The process of compliance reporting will encompass:

- identifying and prioritising all acts and regulations at a national level applicable to Blue Label;
- incorporating regulatory requirements into control measures such as standard operating procedures or processes, manuals or policies;
- recommending corrective measures or steps to ensure compliance; and
- monitoring compliance through the adequacy and effectiveness of control measures, which includes the use of best industry practice software compliance tools to actively monitor and manage business units' compliance against regulations on a continual basis. This software tool permits the executive and Board to measure compliance and to identify any weaknesses that require redress.

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

STAKEHOLDER RELATIONS

The Board has ultimate accountability for stakeholder strategy and engagement, recognising that developing and nurturing dialogue with key stakeholders is a driver of business sustainability. The responsibility for satisfactory stakeholder relationships vests with every employee in the Group, as we recognise that a good reputation is a competitive advantage.



STAKEHOLDER RELATIONS CONTINUED

GOVERNING STAKEHOLDER RELATIONSHIPS

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 or potential 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 apply a measured approach to interacting with and responding to stakeholders. A stakeholder engagement programme has been formalised for the most 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 AGM), media and stock exchange news announcements, presentations, roadshows, conference calls, the Blue Label website (www.bluelabeltelecoms.co.za), investor site and trade visits. We also rely on the results of perception studies, reputation audits, whistle-blowing facilities and formal grievance mechanisms, financial and sustainability reports. In addition, we initiate 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 host management and sales conferences. Dialogue, review and feedback is encouraged wherever possible, which in turn is presented to Exco and/or committees, such as the Social, Ethics and Transformation Committee, 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.

Ultimately, our stakeholder engagement programme supports our efforts to be a successful, stable and ethical company contributing to the economic growth of the communities in which we operate.

STAKEHOLDER RELATIONS CONTINUED

Stakeholder group	Nature of engagement
Employees	Ongoing communication with employees covers matters of a strategic, financial and 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. Most companies host their own management and strategy conference, held at least once a year.
Providers of capital, including shareholders, institutional and retail investors and financial analysts	Engagement includes ongoing and/or ad hoc meetings with top management involving presentations covering financial performance of the Group, overview of strategic direction and discussion of the investment proposition. Visits to the Demonstration Centre and warehouse at No 75 Grayston Drive and visits to our customers' sites are arranged on request. Individuals from this stakeholder group and their contact details are registered on the Blue Label investor database.
Members of the media, including journalists, reporters and editors	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 and on-line journalists and editors.

STAKEHOLDER RELATIONS CONTINUED

Method of engagement	Dialogue process and outcomes
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 strategy updates, financial and personal performance. Other methods include wellness days, a carnival day, blood donor drives, health campaigns, 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 88. Keynote speakers from industry, discussion groups, breakaway sessions, motivational speakers, team building exercises and industrial theatre performances.	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. There is a forum to which staff may make recommendations and/or requests.
Integrated annual report, interim report and AGM. The highlights of the interim and year-end results are published in the press as a short-form advertisement. SENS announcements via the JSE. Face-to-face meetings, group meetings, tele-conference and video-conference calls. Speaker and presenter at investor conferences, JSE Showcases and other workshops. Investor alerts are e-mailed after website registration. See detailed typical annual calendar programme on page 56.	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 and webcasts are posted on the Company's website (www.bluelabeltelecoms.co.za). The Company's Demonstration Centre, situated at No 75 Grayston Drive, Sandton, provides an audio-visual overview of the Group and its activities, while simulating transactions on various types of terminals. A warehouse, also situated at No 75 Grayston Drive, can be visited by prior arrangement.
News releases are distributed to media and news services both locally and overseas, as per a database maintained by the Company. Print and on-line media monitoring is outsourced and reports of coverage are received and distributed daily among 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. A number of interviews with Senior Management resulted in articles published in the press, with subjects covering financial performance, financial services products and distribution to the informal sector.

STAKEHOLDER RELATIONS CONTINUED

ENGAGEMENT PROGRAMME

A typical investor relations, employee and media engagement programme of activities for a calendar year includes:

	January	February	March	April	May	June	July	August	September	October	November	December
Financial year-end					✓							
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 sell side analysts – SA		✓						✓				
Results roadshow to institutional investors and sell side analysts – UK and USA			✓						✓			
Integrated annual report and notice of AGM posted to website and shareholders										✓		
AGM											✓	
Half-year-end											✓	
Interim results announcement for the six months ended 30 November released on SENS and posted to website		✓										

STAKEHOLDER RELATIONS CONTINUED

	January	February	March	April	May	June	July	August	September	October	November	December
Conference call by management to update market on specific activities/operations					✓						✓	
Participation at investor conferences			✓	✓	✓				✓	✓	✓	
Site visits	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Management engages investors, analysts, media			✓	✓	✓				✓	✓	✓	
Close periods per JSE	✓	✓				✓	✓	✓				✓
Ad hoc announcements disclosed through SENS	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Announcements posted to website and distributed to global database of stakeholders	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Global database of stakeholders maintained by Investor Relations	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Guide market analysts into half- and year-end results					✓						✓	
Media	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Employees	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

STAKEHOLDER RELATIONS CONTINUED

Stakeholder group	Nature of engagement
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 any other growth opportunities. Senior Management liaises regularly with their counterparts at customers and suppliers and, in so doing, are building long-term relationships, which furthers growth opportunities.
Business partners and suppliers	The relationships with business partners such as Vodacom, MTN, Cell C, Telkom, Eskom, municipalities, utilities, parastatals, commercial banks and merchant acquirers, as well as 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 managed in a formal procurement process, during which 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.

STAKEHOLDER RELATIONS CONTINUED

Method of engagement	Dialogue process and outcomes
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, as well as formal consultation. The Company has a CRM system, self-help facilities and dedicated CRCs to enhance its customer engagement service.	Price and value for money drive the relationship with 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. Emphasis is given to up-selling and cross-selling opportunities within the Group's products and services lists.
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
Communities, educational institutions and research organisations	In deepening our understanding of the interests of the community in which we operate, while enhancing both 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 management, like the Group Company Secretary, the Group Head of Human Resources and the Head of Investor and Media Relations, also engages with the business community, including research organisations, across various levels on a regular basis. The joint CEOs and senior management are involved in collaborative projects with the Gordon Institute of Business Science (GIBS), and other business and secondary schools. Management also takes cognisance of the work of Frost and Sullivan and the Institute for Futures Research at the University of Stellenbosch. The joint CEOs are regularly recognised for their contributions to the community, if not as an award judge then as a recipient. Some of their accolades are detailed in each person's biography on pages 21 and 22.
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. The Group occasionally consults the Department of Labour.

STAKEHOLDER RELATIONS CONTINUED

Method of engagement	Dialogue process and outcomes
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, students and scholars in formal and informal settings. Case studies assist the Company and the community in better understanding challenges, achievements and failures. The Company, represented by executives or senior management, frequently participates 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, which are 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.
Formal personal meetings, written communications and tender processes. The Group takes cognisance of the implications of the B-BBEE Codes of Best Practice. Meetings are held covering matters such as health and safety and the Codes of Best Practice.	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 were brought against the Group for the contravention or non-compliance of any laws or regulations. Advice is considered by management and, where appropriate, recommendations made to the Social Ethics and Transformation Committee.

REMUNERATION REPORT

REMUNERATION AND NOMINATION COMMITTEE

The Board has delegated to the Remuneration Committee responsibility for determining the remuneration of the executive directors and senior managers, as well as for approving the allocation of shares under the Group's forfeitable share scheme. The Remuneration Committee also acts as the Nomination Committee.

Following a query from the JSE in late 2013 regarding the independence of the Remuneration and Nomination Committee, the Chairman of Blue Label, Mr LM Nestadt, was appointed to the Remuneration and Nomination Committee in order to chair nomination matters. Mr Lazarus SC continues to chair the remuneration matters at the meetings of the Committee. Mr Ellerine resigned as a member of the Committee due to the need to restructure the composition of the Committee to accord with the requirements of the JSE. The majority of the Committee is comprised of independent non-executive directors.

The Committee consists of three non-executive directors, namely Messrs LM Nestadt, NN Lazarus SC and GD Harlow. The Joint CEOs and the Financial Director attend certain meetings of the Committee by invitation, but do not vote on Committee decisions. The chairpersons of the Committee report to the Board on the Committee's deliberations and decisions.

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

Philosophy

The Group's Remuneration Philosophy is to strive to reward employees in a fair and responsible way and to ensure a culture of high performance through employees who are motivated, engaged and who subscribe to the principle of achieving a balance between shareholder interests and appropriate remuneration packages. The Remuneration Policy is formulated to attract, retain and motivate top-quality people. Remuneration arrangements are designed to support Blue Label's business strategy, vision and to align with 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 for 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 a continuing contribution to growth in shareholder value;
- reviewing incentive schemes in order to ensure that they are administered and implemented in terms of their rules and performance targets;
- 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.

REMUNERATION REPORT CONTINUED

In the course of deliberations, the Committee considers the views of the CEOs on the remuneration and performance of other Joint Executive Directors and members of Senior Management.

From time to time independent advice on market information and remuneration trends is provided to the Committee by external remuneration consultants. Blue Label's human resources department also assists the Committee by providing supporting information and documentation relating to matters for the Committee's consideration, including assessing proposed changes to legislation determining employers' responsibility to provide retirement funding for staff.

Additional governance principles applicable to the composition and principal activities of the Committee are more fully set out on page 43 (governance framework) of this integrated annual 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. 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.
- Variable remuneration – a short-term performance-related bonus payment. The variable pay element provided by the short-term bonus plan is intended to enhance total pay opportunities, should that be merited by Group and individual performance. The purpose of the annual performance-related bonus payment is to reward and motivate the achievement of Group and subsidiary financial targets, as well as to motivate strategic and personal performance. The Joint CEOs may earn an annual incentive bonus of up to 120% of fixed remuneration and other Executive Directors of up to 70%. Senior Management may earn up to 50% of their annualised salary package.
- Forfeitable share plan – a long-term performance-related incentive scheme. 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 Directors 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 2015 financial year ranged from 0% to 6%. Management of each operating company was again given the discretion to apply the appropriate increase within the stipulated range to each staff member falling under their control.

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

Details of the directors' and prescribed officers' remuneration for the year ended 31 May 2014 appear on pages 200 and 201.

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, the roll-out of the Group's transactional footprint, the level of progress made in respect of organisational development and succession planning, together with leadership qualities, corporate governance best practice, strategy implementation and risk mitigation.

The Group's performance for the 2014 financial year was not satisfactory, as a result of which:

- the Committee only authorised the payment of R18.3 million in aggregate, for bonuses, which amounts to 2.8% of the total pre-tax profit; and
- the Executive Directors, including the two most senior employees of The Prepaid Company, agreed to forfeit their right to receive any portion of their bonus entitlement.

The bonus parameters for Executive Directors and Senior Management for the 2015 financial year have been determined as follows:

1. Executive directors

Joint CEOs 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%:
  - the achievement of agreed transformation targets, progress in the delivery of the Group's growth strategy, the roll-out of the Group's transactional footprint, the level of progress made in respect of organisational development and succession planning, together with leadership qualities, corporate governance best practice, strategy implementation and risk mitigation.

2. Executive directors 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.

- 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.

REMUNERATION REPORT CONTINUED

Forfeitable share scheme
The forfeitable share scheme vesting criteria for the 2011 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 2011 share scheme allocations fell due on 31 August 2014. The Group achieved its performance targets with the result that there was no necessity for any forfeitures.

The vesting criteria for the forfeitable shares allocated in September 2014 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.

Executive directors' service contracts
The three-year service contracts of the four executive directors expired in November 2013. Mr DB Rivkind, Financial Director, elected not to renew his contract, while those of the Joint CEOs, Messrs BM Levy and MS Levy and the COO, Mr MV Pamensky, were each renewed for a further three-year period. A three-year service contract was concluded with Mr DA Suntup, Financial Director, with effect from 14 November 2013. Each contract, save for Mr Pamensky's, includes a restraint of trade undertaking applicable for a period of 12 months from the date the executive of his own accord leaves the employ of the Company. The restraint of trade is not enforceable in the event that the employment contract is not renewed by the Company, or if the executive's employment is terminated by the Company.

Non-executive remuneration
Non-executive directors receive fees for their services on the Board and Board Committees, dependent on their attendance at meetings, although total fees payable are capped. Non-executive Directors neither 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 Committee 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 aforegoing 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 200 and 201.

REMUNERATION REPORT CONTINUED

For the 2015 financial year, the Group will continue to use the services of Mr NN Lazarus SC for the provision of legal, corporate, financial and strategic advice, for which he shall receive market-related fees. Such fees shall be considered by executive management, approved by the Chairman of the Board, who in turn submits them to the Board for approval. The Board resolved at its meeting held on 30 June 2014 that non-executive directors' remuneration be increased for the 2015 financial year by 6%, subject to the approval of shareholders.

The proposed fees payable to non-executive directors are set out below:

Services as directors	Current fee per meeting	Proposed fee per meeting*	Proposed capped fee per annum**
– Chairman of the Board	–		R893 262
– Board members	R38 584	R40 899	R204 495
Audit, Risk and Compliance Committee			
– Chairman	R53 589	R56 804	R227 216
– Member	R32 154	R34 083	R136 332
Remuneration and Nomination Committee			
– Chairman	R42 871	R45 443	R181 772
– Member	R25 724	R27 267	R109 068
Investment Committee			
– Chairman	R32 154	R34 083	R272 664
– Member	R19 292	R20 450	R163 600
Transformation, Social and Ethics Committee			
– Chairman	R32 154	R34 083	R136 332
– Member	R19 292	R20 450	R81 800
Ad hoc committee			
– Chairman	R32 154	R34 083	R136 332
– Member	R19 292	R20 450	R81 800

** 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.*

On behalf of the Remuneration Committee:

NN Lazarus SC
Chairman

22 October 2014

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

The Audit, Risk and Compliance Committee (ARCC) is pleased to present its report for the financial year ended 31 May 2014.

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:

- 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 Companies Act, No 71 of 2008 (the Act), Messrs JS Mthimunye, GD Harlow and SJ Vilakazi were appointed to the Committee by shareholders at the Annual General Meeting held on 29 November 2013.

Following a query from the JSE in late 2013 regarding the composition of the ARCC, Mr NN Lazarus SC resigned as a member of the Committee due to the need to restructure the Committee to accord with the requirements of the JSE, as he is not considered to be an Independent Non-Executive Director. Mr NN Lazarus SC continues to attend ARCC meetings as an invitee.

Membership of the Committee is as follows: Messrs JS Mthimunye (Independent Non-Executive Chairman), GD Harlow (Independent 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 are independent non-executive directors.

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 and the Financial Director of Blue Label. 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

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT CONTINUED

and have unlimited access to the Committee. The Committee meets with the external and internal auditors respectively without the presence of management, as necessary. The internal audit function reports directly to the ARCC and is also responsible to the Financial Director on day-to-day administrative matters.

STATUTORY DUTIES DISCHARGED

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

- nominated and recommended to shareholders the reappointment of PwC as independent external auditors, with Eben Gerryts 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 107 in the directors' report.

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.

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT CONTINUED

The Committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the 2014 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 2014 comprised tax advisory services, tax compliance services and general advisory services. The fees applicable to the aforementioned services totalled R1.6 million (2013: R0.9 million).

The ARCC has nominated, for approval at the Annual General Meeting, the reappointment of PwC as registered auditors for the 2015 financial year. 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 2013/14 audit plan;
- approved the internal audit plan for the 2014/15 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.

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 legal matters that could have a material impact on the Group; 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.

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 Dean Suntup possesses the appropriate expertise and experience to discharge his responsibilities as Financial Director.

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT CONTINUED

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 18 August 2014 and read by PwC as at 19 August 2014. 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 2014. 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.
- As recommended by King III, internal audit provided an assessment on internal controls and internal financial controls to the ARCC and Board.
- The Committee recommended the approval of the integrated annual report to the Board.

On behalf of the Audit, Risk and Compliance Committee:

JS Mthimunye
Chairman

22 October 2014

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 2014.

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 operates under Board-approved terms of reference, which include meeting twice per financial year.

At meetings held during the year, the Committee considered matters, including:

- transformation initiatives in the workplace;
- a roadmap addressing equity B-BBEE shortfalls;
- Group and subsidiary B-BBEE ratings;
- the impact of the revised dti Codes of Good Practice on the Group;
- current and new training and development programmes, including leadership and mentoring programmes;
- consideration of the feedback provided by the Chairman of the Group's Employment Equity Committee;
- 10 principles of the United Global Compact;
- the Group's Business Ethics Statement and Whistle-Blowing Policy;
- health and safety performance across the Group;
- CSI projects and monitoring of spend, including Exco's approval of the Committee's recommendation to provide significant and sustainable support to the Protea Glen Boys and Girls Club of South Africa; and
- current sponsorships.

I look forward to reporting on our progress next year.

SJ Vilakazi
Chairman

22 October 2014

SOUTH AFRICAN DISTRIBUTION

This business segment distributes prepaid products and transactional services to the South African wholesale and retail markets, covering a diverse distribution footprint, and reaching all LSM groups. The product range now includes four categories of goods and services – prepaid airtime and starter packs, prepaid electricity, event and transport ticketing, financial services and merchant acquiring. The segment contributes 98% 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 those needs. Distribution capabilities range from independent shops, petroleum forecourts, spaza shops and Mom & Pop stores, through to the multi-channel retail chains. In this way, the Group enables consumers to interact and transact on an equal footing.

Critical to growth is the expansion of supply to targeted rural and urban market, aligned to the Group's strategy of managing "the last mile" of the distribution channel. This is aimed at deepening penetration in their respective markets where, over the past year, further investment has been made.

The informal sector generates approximately 85% of SA Distribution's revenue. Services to rural areas are via an expanding fleet of trucks accompanied by foot soldiers. In this direct distribution model, innovative transactions and incentives can be implemented, value is added directly to the consumer and, as a consequence, solid relationships are established with merchants.

The remaining 15% of revenue is derived from the formal sector. 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. Distribution to urban merchants continues to be expedited through the Group's proprietary technology platforms.

The trend in consumers opting for "PINless top-ups" as an alternative redemption method for prepaid airtime, continues to escalate. During the past year sales by these methods increased from R997 million to R1.7 billion.

Blue Label's widespread network of point-of-sale presence enables it to reach out to consumers every day and everywhere across South Africa, in offering its categories of products and services.

AIRTIME

CHAT 4 CHANGE AIRTIME

RMCS

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

Benefit starter packs catering for pregnant women, insurance cover for accidental death and funeral plans and value-adding bundling with DVDs, such as the Nelson Mandela Commemorative, are examples of differentiators between the Group and traditional distributors of prepaid airtime.

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.

The introduction of low-cost POS terminals, branded "business in a box" and "Rechaja Mo" (recharge here) continues to gain momentum. Both devices were developed for merchants and vendors in the rural market, in pursuance of managing "the last mile" of the distribution channel. Another innovation, "Chat 4 Change", has been enabled across all platforms. This variable denominational airtime top-up mechanism offers customers a quick and simple choice of utilising spare change on a transaction to purchase airtime to that value rather than being bound by the fixed denominations offered by the networks.

The wholesale strategy remains robust with a solid trader base of approximately 1 000 wholesalers who, in this physical mass environment, supply over 100 000 retailers with some 80 million bulk print airtime vouchers per month.

As is customary when opportunities avail themselves, bulk purchase transactions are concluded with the networks at favourable discount rates.

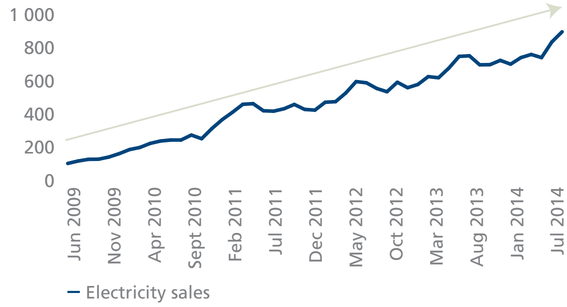
The Prepaid Company (TPC) is the leading distributor of prepaid products for all the major network operators. TPC also facilitates, manages and maintains the distribution of all virtual products and starter packs. These services are supported by proven proprietary technology, which ensures purchasing efficiency, managing the distribution channel and inventory control. Relationships with each of the network operators are key to the success of this business. TPC is responsible for supplier agreements and procurement for the Group, wholesale and community sales, starter packs and handsets and facilitating its merchants with bulk airtime printing capabilities. Group Treasury falls under the ambit of TPC.

Blue Label Distribution (BLD) distributes products through POS terminals, integrated gateways, vending machines, touch screens and RICA devices. BLD is supported by 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.

The Post Paid Company (TPPC) distributes hybrid top-up postpaid airtime and data contracts on behalf of all major South African cellular networks. TPPC also distributes handsets, tablets and various insurance products, including handset cover and death benefits. TPPC's distribution channels in South Africa include outbound call centres, various major banks, micro-lenders, retailers, schools (via an online portal) and companies wishing to offer TPPC's services to their employees.

SOUTH AFRICAN DISTRIBUTION

ELECTRICITY SALES FIVE-YEAR TREND (million)



RMCS is an enhanced service provider of cellular products and services engaged in the supply of telecommunication products and services, content, data and allied activities via both physical and virtual mediums. The physical presence is in the form of stores and the virtual offering is in the form of an "Over the Air" cellular application which enables retailers, credit providers and consumers to communicate and transact over their mobile devices.

The recent acquisition of RMCS affords the Group access to new channels for the distribution of both RMCS and its products and services.

Prepaid electricity

The supply of prepaid electricity tokens on behalf of the utilities is based on the same model as that of prepaid airtime. Blue Label has been vending prepaid electricity for the past 10 years and is a leading distributor in this field.

The growth in prepaid electricity commissions earned is due to a combination of factors:

- An increasing number of distributor contracts signed with municipalities.
- Increasing uptake of prepaid electricity by consumers who are installing prepaid residential meters.
- Widespread usage of the Group's proprietary UniPIN product, in both online and offline environments.
- Electrification of new and existing government housing developments.

Potential additional drivers to growth include smart meter installation projects ramping up at municipalities across the country, as well as the increasing revenue collection campaigns at municipalities.

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 reported revenue. Turnover generated on behalf of the utilities increased to R8.8 billion in the current year (2013: R7.2 billion). The commission earned thereon equated to R133 million (2013: R113 million).

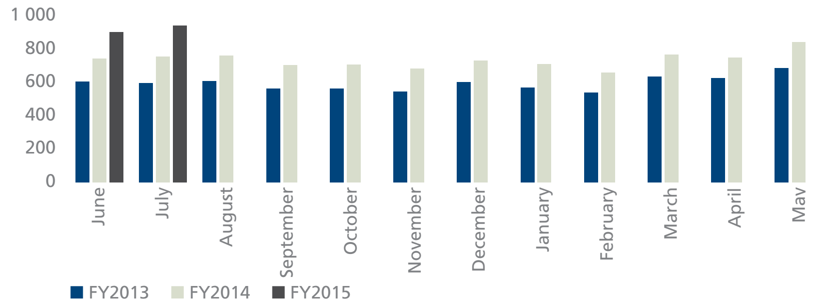
Cigicell distributes virtual prepaid airtime and electricity through a broad network of channels, including formal and informal retail and electronic banking environments. It is responsible for managing the numerous distribution contracts with utilities in respect of the distribution of prepaid electricity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

Event and transport ticketing

TicketPros, South Africa's most recent ticketing solution, provides event and transport ticketing, including sport, travel, entertainment, lifestyle and expos. It also offers the convenience of a variety of ticketing types, such as NFC, card, home-print, secure-print and till-print.

TicketPros intelligently assesses accumulated data with a view to understanding consumer behaviour. This is achieved by combining information gained via loyalty programmes and reward cards. This enables promoters to understand consumer behaviour and buying patterns and ultimately delivers a unique experience to consumers, while enhancing marketing channels for sponsors and brand owners.

ELECTRICITY SALES ON BEHALF OF UTILITIES (million)



During the year an increasing number of sports unions, event managers and short- and long-distance bus and coach transport companies went live with TicketPros, enabling an increasing number of Blu Approved retail outlets to add ticketing to their product range on offer.

Financial services

A growing number of financial services are available, including bill payments, merchant acquiring and money transfers.

Bill payments enable consumers to make payments for numerous services at Blu Approved terminals. These services include TV licences, Multichoice subscriptions, Telkom landlines, traffic fines, municipal rates and taxes, electricity accounts, funeral policies, education and school fees, furniture accounts and the National Lottery.

In an arrangement with the merchant acquirer, MasterCard, and the SA commercial bank, ABSA, BLD's devices will enable the acceptance of credit and debit card acquiring transactions. It is expected that up to 22 000 of these devices will be deployed in the initial phase.

Blu Approved

- Blu Approved is the Group's brand that is displayed at its points of presence.
- Blu Approved serves as a stamp of approval and authenticity, duly endorsed and acknowledged by Blue Label.
- Each Blu Approved merchant is equipped with an in-store Blu Approved device and clearly identifiable merchandising tools.

Technology

The technology division is housed in this segment as the bulk of its functions and services are interdependent in the distribution of airtime, starter packs and electricity.

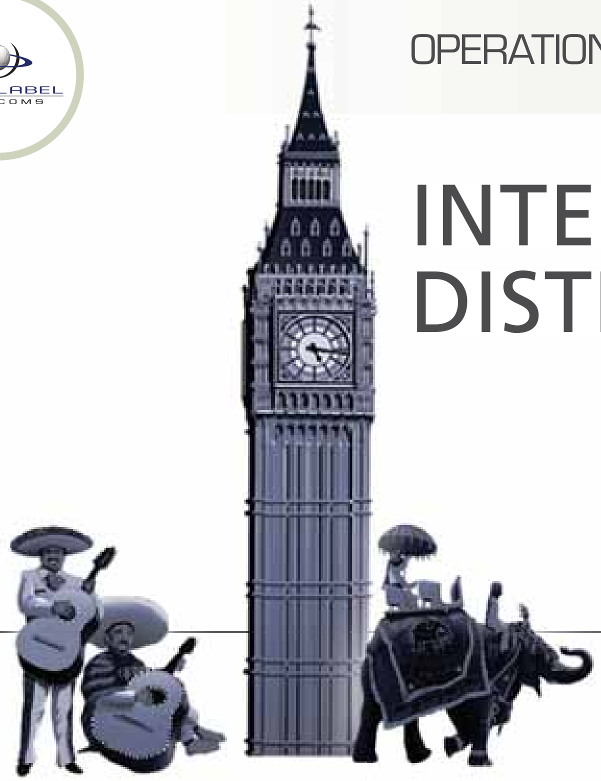
Through the proprietary AEON and AMS systems, as well as the banking and financial services grade Postilion platform, the Group's capability as a neutral aggregator is entrenched in connecting to mobile networks, utilities, banks, retailers, petroleum companies and the point-of-sale devices.

The technology division supports in excess of 400 million transactions per month. Approximately 80 million bulk print vouchers are distributed per month. Transaction Junction provides the Group's EFT capabilities.

Following the commissioning of enhanced infrastructure in the prior year, critical for Disaster Recovery and Business Continuity planning, the physical infrastructure consolidation project was completed during the current year. Further improvements will be implemented on an ongoing basis in order to enhance the Disaster Recovery solution.

The South African Distribution segment's contribution to core net profit equated to R559 million (2013: R571 million).

THE POWER OF CONVENIENCE blu APPROVED



INTERNATIONAL DISTRIBUTION

The strategy of 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 a replication of the proven South African business model.

BLUE LABEL MEXICO

The business in Mexico encapsulates 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 joint 45.57% shareholder with Blue Label in BLM.

Main products on offer include PINless recharge, bill payments and cash collections. Following agreements concluded in September 2013 with Banamex, the second-largest commercial bank in Mexico, and with the merchant acquirer Visa, devices at BLM's merchant base are being upgraded in order to support and facilitate the electronic payments though acquiring debit and credit card transactions. More recently, agreements have been concluded for the distribution of food vouchers through BLM's technology platform.

The project to expand the distribution network across Mexico, by initially deploying up to 123 000 POS devices, progresses steadily with some 92 000 terminals currently installed.

Blue Label's share of losses for the year amounted to R60.8 million (2013: R51.1 million loss), consistent with the developmental stage of this market, the sluggish economy and government's fiscal reforms.

Snapshot April 2014

World Bank hosted panel discussion on mobile money. Summary of address by Hortencia Contreras Torres, CEO of Blue Label Mexico.

One can't start a mobile money service until you have places where people can put cash in and take cash out of your system. The more places the better. This has been a problem for the global poor, being unbanked or badly banked, as there aren't enough branches of the traditional banks. Grupo Bimbo believes that every one of the 700 000 Mom & Pop stores that buys its products could also be a bank.

Using technology from the South African digital distribution and payment company, Blue Label Telecoms, Grupo Bimbo is installing terminals at its customers' stores that, for now, top-up mobile airtime and pay utility bills. Visa, the card acquirer, has also joined in, which permits cashless payments as well. Technicians literally arrive on the bread delivery truck to set up machines and at the same time train shop owners.

In developed economies, banks are expected to do three basic things: money transfer, loans and savings. Grupo Bimbo is picking one of these – money transfers – and offering it to customers as a way of helping them compete with the big box stores moving into Mexico. This is not a revolution, but it does turn Mom & Pop stores into banks, making them, along with Grupo Bimbo, a completely different kind of entrant in the contest to see who provides the market with the next several billion bank accounts.

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 which provides an internationally recognised e-commerce cash payment solution.

Consumers around the world are able to exchange cash at retail outlets, including shops, petrol forecourts, ATMs, kiosks or online, for a unique 19-digit code. Consumers can then spend their Ukash code to pay at thousands of websites or load their prepaid cards and e-wallets, in a safe, secure and convenient manner.

INTERNATIONAL DISTRIBUTION CONTINUED

During the year, the focus was on diversification into new products, with the launching of Money Transfer in association with Moneygram® and the Ukash Prepaid MasterCard® product. In a partnership with Birmingham City Football Club, fans are now able to purchase match tickets and club merchandise using Ukash. Just after year-end the Ukash Travel Money Card was brought to market.

Over the years, Ukash has been recognised for its significant levels of growth with an array of awards. In 2014, acknowledgements proudly include:

- the Queen's Award for Enterprise in International Trade for the fourth year in succession;
- the Prepaid 365 Award for the Best Prepaid Card;
- participation in the London Stock Exchange's list of One Thousand Companies to Inspire Britain; and
- the UK Sunday Times Tech Track 100 portfolio of the UK's fastest-growing technology companies.

Year-on-year organic growth resulted in revenue increasing by 14% as measured in sterling. The Group's 17.25% share of profit equated to R14.1 million (2013: R7.3 million).

OXIGEN SERVICES INDIA

In reaching out to India's unbanked and rural communities, Oxigen continues building a valuable distribution network and cash-out infrastructure. Currently Oxigen supports about 35 million transactions per month, principally through kiosk, POS and e-wallet banking.

Having commenced operations 10 years ago as a prepaid airtime distributor, Oxigen's strategic shift into payment solutions and financial services continues to take hold. Growth is underpinned by partnerships with India's major banks, such as the State Bank of India and ICICI Bank, for the banking correspondent business, also known as kiosk banking.

A recent historic tie-up with the National Payments Corporation of India has enabled Oxigen to become India's first non-banked wallet to be approved by the Reserve Bank of India to provide direct connectivity to more than 60 banks on the national switch of the NPCI, through its immediate payment service. As a consequence, mobile payment remittances are emerging as a new growth driver in Oxigen, with the value of domestic and international money transfers and deposits already exceeding USD2.5 million per day.

In alignment with government's financial inclusion agenda, the Reserve Bank of India has initiated a cash-out pilot project to demonstrate that Oxigen's technology and wallet support cash-out transactions in the rural parts of India.

Blue Label's share of losses for the year equated to R3.3 million (2013: R0.6 million loss).

Snapshot April 2014

Financial inclusion by the Reserve Bank of India

One of the challenges of the banking community is that it supports a small banking system, yet needs to service a large population of approximately 1.3 billion people. In addition, only some 250 000 villages out of 650 000 can boast a banking service. The obvious outcome would be to open new banks, with associated risks and time required to grant new licences or, preferably, grow the existing banking system.

The Committee on Comprehensive Financial Services of the Reserve Bank of India has made the following recommendations for India to strengthen its existing structures:

- Use Biometric-based ID (Aadhaar) as a means to set up a Universal Electronic Bank Account, so that each person who has an ID will have a bank account by 2015.
- Elevate prepaid providers to 'Payment Bank' status, where all banking services, except lending, can be provided.
- Make business correspondent's kiosk banking independent of banks, and serving all banks with settlement through one bank.
- Set up 3 million 'payment points' by 2015 through agent networks, which will be more viable due to interoperability among all banks for cash-in/cash-out services.
- Encourage branchless banking through selected agent points.

MOBILE

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

Mobile's ecosystem allows for the rapid roll-out 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 our customers to reach their customers, regardless of what type of phone or mobile operator is being utilised. Core net profit contribution for this segment amounted to R24.9 million (2013: 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.

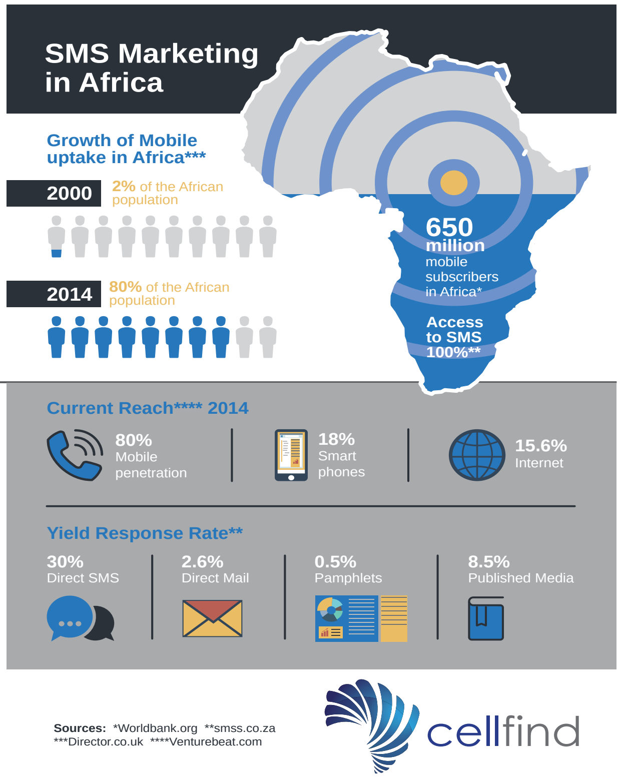
Its offerings include the aggregation and bulk distribution of SMSs; mobile payslips (miPayslip and miStatement); and LBS (Look4Me, Look4Help, MTN WhereRU, MTN 2MyAid and ER24 IdMe).

In partnership with TeleCommunicationSystems, LBS products are offered into the rest of Africa. Through the wholly owned subsidiary, Panacea Mobile, enhanced bulk SMS aggregation capabilities and intelligent distribution are delivered. This segment processes approximately 175 million SMSs per month.

BLUE LABEL ENGAGE

Blue Label Engage designs and operates customer engagement, loyalty and reward programmes.

NFC and other contactless technologies bridge the gap between mobile and physical transactional services. 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 respect of entertainment, 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.



The Group provides spectator sport programmes for rugby's Blue Bulls, as well as for Cricket SA. Sponsorship of the Proteas T20 squad, with naming rights, has granted us access to millions of cricket fans, thousands of whom have joined the "Love Cricket" brand of CSA, which is a shared business venture between BLE and CSA. In February 2014, in a world first for cricket, South African fans started to use NFC technology to enhance their ticketing, loyalty and reward experiences.

VIAMEDIA

Viamedia is a mobile content and value-added services provider. Its technology platform connects to all South African mobile networks, offering the best of breed in mobile services. These include mobile terminate and originate and premium rated SMSs, online billing, multimedia messaging, WAP and web services, unstructured supplementary services data and interactive voice response. Viamedia offers its partners the ability to sell mobile entertainment, information and communication services to consumers through a variety of media and technology channels.

SOLUTIONS

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

This segment houses CNS, Velociti and Blue Label call centres as well as Datacision, Forensic Intelligence Data Solutions and Blue Label Data Solutions. BLDS is a founding member of the Direct Marketing Association of South Africa and remains accredited to the Association. Core net profit contribution from this segment was R12.5 million (2013: R13.2 million).

Our data bases have continued to expand and can now touch over 55 million consumers. 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, automated voice messaging, consumer analytics and field lead generation.

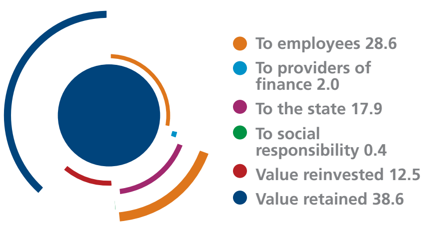
The call centre business remains challenging across all measures. The remedial efforts taken in the year resulted in major improvements, while cost reductions and new business development will continue to be focal points in the year ahead.

VALUE ADDED STATEMENT

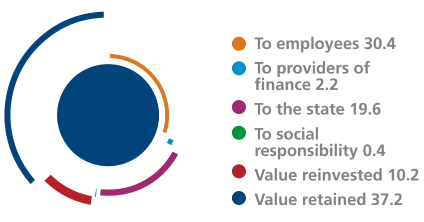
Value added is defined as the value created by the Group's activities and is determined as income less impairments, amounts spent on corporate social investment and other operating expenditure. Blue Label's value added statement shows the total wealth created by the Group and how it was distributed to 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.

	2014 R'000	2014 %	2013 R'000	2013 %	2012 R'000	2012 %
VALUE ADDED						
Value added by operating activities	**1 125 610**	**96.7**	1 050 765	95.9	1 068 131	94.7
Revenue	**19 401 666**		18 984 210		18 722 080	
Net operating expenses	**(18 276 056)**		(17 933 445)		(17 653 949)	
Value added by investing activities	**38 807**	**3.3**	45 489	4.1	59 730	5.3
Interest income	**38 807**		45 489		59 730	
	1 164 417	**100**	1 096 254	100	1 127 861	100
VALUE DISTRIBUTED						
Distributed to employees	**332 542**	**28.6**	332 901	30.4	329 406	29.2
Salaries, wages, medical and other benefits	**332 542**		332 901		329 406	
Distributed to providers of finance	**22 993**	**2.0**	23 767	2.2	3 307	0.3
Finance costs	**22 993**		23 767		3 307	
Distributed to the state	**208 996**	**17.9**	215 075	19.6	190 759	16.9
Income tax	**208 996**		215 075		190 759	
Distributed to social responsibility	**5 075**	**0.4**	4 242	0.4	3 340	0.3
Corporate social investment	**5 075**		4 242		3 340	
Value reinvested	**145 896**	**12.5**	112 164	10.2	181 575	16.1
Depreciation, amortisation and impairment	**65 137**		67 951		91 557	
Net discounting finance cost	**26 440**		15 558		66 505	
Share of losses of associates and joint ventures	**56 873**		47 326		19 835	
Deferred taxation	**(2 554)**		(18 671)		3 678	
Value retained	**448 915**	**38.6**	408 105	37.2	419 474	37.2
Retained profit	**450 230**		424 841		438 104	
Minority shareholders' interest	**(1 315)**		(16 736)		(18 630)	
	1 164 417	**100**	1 096 254	100	1 127 861	100

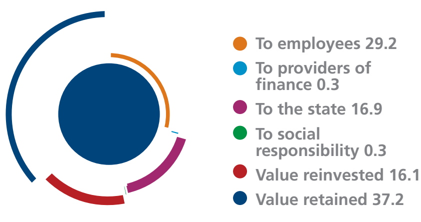
VALUE DISTRIBUTED 2014 (%)



VALUE DISTRIBUTED 2013 (%)



VALUE DISTRIBUTED 2012 (%)



SOCIAL PRACTICES

As with previous years, the Group has aligned its approach to transformation with those of the B-BBEE codes. Consequently, the Group's focus has been predominantly around the training and development of staff, socio-economic development and enterprise development.

TRAINING AND DEVELOPMENT

The Blue Label Academy, the Group's internal e-learning training academy, which aims at providing training and development to all staff regardless of where they are located in South Africa, underwent a facelift and a restructure. The front-end was upgraded and given a new look and feel.

Previously, staff were limited to a maximum of two out of a total of 450 possible courses, in terms of the licence arrangements purchased by the Group. This year, the Group purchased one access code per employee, but limited the number of choices to the most popular 100 courses. Staff are still required to complete their selection of courses on-line, at their own pace and in their own time. Based on their selection, staff are able to register for business skills and technical courses, which have to be duly approved by their line manager and included in their performance assessment.

In addition to the e-learning initiative, relevant staff have the opportunity of registering and completing formal classroom-based training. The total spend within the Group on training for the financial year was R5.4 million (2013: R3.9 million). The increase in spend can again be attributed to a focus on developing technological competencies.

LEARNERSHIPS

The Group continues its partnership with Bytes People Solutions in providing various learnership programmes, as detailed below. The Group has also partnered with Full Circle and Spectrium to provide learnerships within the financial services sector of our business.

Velociti, with the assistance of People Solutions, was awarded 212 learnerships from the KZN branch of the Services SETA in August 2013. These learnerships include 140 Contact Centre support NQF Level 2, 50 Contact Centre Operations NQF Level 4, 10 Project Management Level 4 and 12 Business Administration NQF Level 4 learners.

Excluding Velociti, the total number of learners currently employed across the Group is 28 (2013: 31). The number of learners has decreased due to the Group's decision to focus on procuring fewer learners of a higher calibre. Consequently, the spend on learnerships has increased.

Each learner is mentored and assisted through their learnership to ensure it is completed successfully for the learner to obtain the relevant qualification. Of the 28 learners, three are disabled (2013: eight learners), the balance having been formally employed. Currently 60% (2013: 64%) of the learners are female, following concerted efforts to attract more females to the learnership programme.

SOCIAL PRACTICES CONTINUED

Blue Label Group learnership profile:

Subsidiary	Number of learners	Skill set	Provider
Velociti	212	Various	People Solutions
Cellfind	1	End User Computing	Bytes People Solutions
	1	Business Analysis	Bytes People Solutions
Cigicell	1	Accounting Technician	Full Circle Consulting
	1	Accounting Technician	Full Circle Consulting
	1	End User Computing	Bytes People Solutions
Blue Label Distribution	1	System Support	Bytes People Solutions
	10	Accounting Technician	Full Circle Consulting
The Prepaid Company	3	Senior Bookkeeper	Spectrium
	4	Senior Bookkeeper	Spectrium
Panacea Mobile	1	System Development	Bytes People Solutions
	1	End User Computing	Bytes People Solutions
Transaction Junction	2	System Support	Bytes People Solutions
	1	System Development	Bytes People Solutions
Total	240		

SOCIAL PRACTICES CONTINUED

SOCIO-ECONOMIC DEVELOPMENT

In total, R5.1 million was spent in respect of socio-economic development for the financial year. This is allocated to various beneficiaries focusing specifically on HIV/Aids, the youth and education, and, where possible, to projects in which staff are actively involved. Our flagship project is the development of a club house for the Protea Glen Boys and Girls Club of South Africa, in partnership with Boys and Girls Club of SA and Tupperware SA. Construction of the club has commenced and will offer aftercare facilities to 200 school-going children from the surrounding community. They will be offered a meal, academic supervision and various extramural activities, such as technology, sport, drama, music and art. The club aims at enhancing the current education system, while grounding children in a holistic and value-based educational philosophy, ultimately for their own protection and development.

Enterprise development

TPC continues to provide financial assistance and strategic support to ZOK. This is aimed at empowering budding entrepreneurs from previously disadvantaged communities by equipping them with a fully functional container equipped as a retail solution provider.

The Group was instrumental in establishing parkrun SA, assisting it financially, strategically and operationally. Parkrun SA is a 51% black-owned business, and has the aim of establishing venues throughout South Africa where people, irrespective of race, gender, income bracket or fitness level, can run a 5 kilometre time trial once a week, free of charge. Since inception in November 2011, parkrun SA has been highly successful, now with over 100 000 registered runners, and is operating from over 30 venues across the country. Discovery Vitality and Adidas have recently signed on as major sponsors.

Preferential procurement

The Group continues to source goods and services from B-BBEE-compliant suppliers.

BOYS & GIRLS CLUBS of South Africa

Mission

To inspire and enable young people who need us most to reach their full potential as healthy, responsible and productive citizens. Toward this end the Boys & Girls Club provides:

- A safe, positive place to learn and grow
- Supportive relationships with trained, professional staff
- Daily access for children and teens between the ages of 6 and 19, including holidays
- Fun, engaging activities that attract and retain club members
- Opportunities and expectations that develop social, educational, health and life skills
- A nutritious meal every day and holiday food for the family

SOCIAL PRACTICES CONTINUED

In November 2011, Blue Label partnered with Bruce and Gill Fordyce to form parkrun SA, a franchise of the global running sensation, parkrun, founded in the United Kingdom in 2004. The philosophy of parkrun is simple: "no-one should ever have to pay to go running in their community regularly, safely and for fun". It is aimed at beginners to Olympians and everyone in between.

Earlier this year, parkrun founder, Paul Sinton-Hewitt, was recognised in the Queen's Honours List with the Award of Commander of the British Empire. This is a not just a huge honour for Paul, but also recognition for parkrun worldwide, which now supports over 1 million registrations.

The success in South Africa has been nothing short of phenomenal. With the objective that cost should not be a barrier to taking regular exercise, we started with 11 runners at Delta Park in 2012. In 2014, we can now boast over 100 000 registered runners participating at over 30 parkrun venues across South Africa.

Blue Label is proud to be associated with parkrun SA and plans to lend continuing support, both financially and operationally, in making this worthy cause an even greater success.

HUMAN CAPITAL

The Group continues to look at innovative ways of selecting and engaging new staff. All new staff, usually on their first day of work, participate in a detailed induction programme, which covers areas such as the Group's vision, mission, ethics, management team, health and safety requirements, policies, procedures and processes.

All employees are automatically included in the Group's various benefits such as medical aid, Group life benefit scheme, wellness programme and free access to Group products such as miTraffic, miPayslip, Look4Help, Look4Me, among others.

The Group life benefit scheme is employer-funded and includes death, disability, dreaded disease and funeral benefits. Membership of Discovery Health is compulsory for all new permanent employees earning over R6 500 per month. In order to ensure equality of access to employee benefits, the Group also offers medical aid cover to those earning below this threshold, through Boncap Medical Aid, a product of Bonitas and underwritten by Hollard.

All changes to terms and conditions of employment, including any changes in significant operational matters, are approached in a consultative manner, with the objective that a mutual understanding of the matter more likely results in acceptance of the outcome.

This year, BLD, Cigicell and Cellfind undertook a project aimed at strengthening the human resource structures and processes, while better aligning these with the business objectives. A leading HR solution provider, Labournet, was appointed to facilitate the process. This involved a one-on-one consultation with every employee, regardless of their location, to establish their duties, KPAs and KPIs. These metrics were encapsulated in a job description and linked to a job grading system. All performance assessments and skills development plans are referenced to the job descriptions, KPAs and KPIs. The results of the process are available on-line to line managers and subordinates, via the employee self-help module on Psiber. The project has enjoyed the support of both staff and management and is to be rolled out to TPC in due course.

The Group co-ordinates employee and social wellness days at head office on a quarterly basis. These include blood drives in partnership with SANBIS, food parcels and winter blankets for the needy, Bandana Day for cancer awareness, Women's Day and World Aids Day. Staff Wellness days are arranged where staff are able to undergo various health checks. These are well supported by all. HIV/Aids testing and prostate testing were offered and overwhelming participation was recorded.

A monthly internal newsletter is distributed electronically to all staff, aiming to share important events, achievements, highlights, and profile companies and employees, while recognising employees who are recommended as "Super Heros".

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

HUMAN CAPITAL CONTINUED

EMPLOYMENT EQUITY

The Group promotes and supports equal opportunity and fair treatment of all employees in accordance with its employment equity policy. The Group's recruitment policies and procedures are aimed at enabling staff and external candidates to compete for job and/or promotional opportunities in an equitable environment, where the sole criterion is merit based.

The performance of subsidiary companies in terms of their employment equity targets is recorded and monitored, and reported quarterly to the Social, Ethics and Transformation Committee. The Group continues to be non-unionised.

The table below reflects the demographics and profile of the employee base, excluding operations at the international associates and joint ventures:

Levels	AM	CM	IM	WM	AF	CF	IF	WF	Total 2014	Total 2013	Total 2012	Total 2011
Unskilled and defined decision makers	26	1	3	7	16	2	0	7	62	72	57	70
Semi-skilled and discretionary decision makers	65	14	15	15	71	19	6	34	239	131	185	286
Workers, junior management, supervisors	32	19	32	87	29	8	18	55	280	224	201	220
Professionally qualified and experienced specialists and mid-management	2	1	6	49	2	0	3	18	81	94	80	89
Senior management	0	1	1	21	2	0	0	7	32	57	55	70
Top management	2	0	1	29	0	0	3	1	36	35	41**	47*
Total permanent	127	36	58	208	120	29	30	122	730	613	619	782
Non-permanent staff	99	12	44	3	208	27	49	4	446	499	597	575
Grand total	226	48	102	211	328	56	79	126	1 176	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.

** Includes six non-executive directors.*
*** Includes four non-executive directors.*

The employee headcount has decreased steadily over recent years due to restructuring, consolidation and streamlining of resources, however, the acquisition of RMCS in the period under review has seen a slight increase in employee headcount.

For the period under review the Group submitted a consolidated Group employment equity report to the Department of Labour.

HEALTH AND SAFETY RESPONSIBILITY AND PRACTICES

The OHSA clearly sets out the legislative requirements for companies to ensure a safe and healthy work environment. The Group Health and Safety Policy has been implemented in accordance with the guidelines set down in the OHSA and articulates the Group's commitment to ensuring a secure work environment. This includes regular fire drills, monthly Health and Safety Forum meetings, and regular training workshops for elected representatives in respect of first aid, fire marshalling and evacuation procedures.

Health and safety activities include:

- appointment of a Group Health and Safety Manager, who assumes full responsibility for the management and facilitation of health and safety-related activities, inclusive of policy, practices and procedures;
- appointment and training of health and safety representatives, first aiders and fire marshals at the head office and at branch offices;
- facilitating and documenting monthly meetings conducted to evaluate Group health and safety performance;
- identifying health and safety hazards by means of a formal hazard survey done monthly and taking appropriate action to mitigate such risks;
- displaying relevant health and safety plans, evacuation procedures and policies in strategic points throughout the place of business;
- creating awareness and training of employees around health and safety requirements via rigorous induction, regular drills and awareness presentations;
- conducting business activities in a manner which ensures the general wellbeing of staff from a physical, mental and social perspective; and
- regular evaluation of Group practices compared to relevant health and safety legislation.

The three main health and safety risks identified across the Group are fire, motor vehicle accidents and floor surfaces. The Group experienced 17 non-reportable health and safety incidents during the year (2013: 10).

Disabling injury frequency rate	**2014**	2013	2012	2011
South Africa	**0.74**	0.62	1.102	0.625
Work-related fatalities	**0**	1	0	0

The disabling injury frequency rate increased by 0.12 due to greater awareness among staff of the need to report workplace injuries. The majority of the incidents related to people slipping on stairs and motor vehicle accidents. Staff are regularly reminded to exercise caution when descending stairs, by using the two-point contact technique.

The Group continues to offer staff the "Wellness for Life" programme, which is aimed at addressing and reducing stress levels. The programme partners with organisations which specialise with counselling in areas such as debt, trauma, substance abuse and physical wellbeing, including support for those with HIV/Aids, cancer, tuberculosis and diabetes. The Group regularly arranges staff wellness days with organisations to assist with health and wellness, insurance, and financial and retirement planning.

ASSURANCE REPORT

PROGRESSING ON OUR INTEGRATED REPORTING AND ASSURANCE JOURNEY

Our approach to preparing our integrated annual report has evolved over the past few years.

For this year's report we have focused on the virtual distribution model represented by the train analogy.

Furthermore, as part of this year's reporting process we have identified focus areas for the next reporting cycle, including refining our approach to identifying our material issues, and following from this the way in which we monitor, measure and report on our value creation processes.

To this end, we have decided to not undertake external assurance on selected non-financial indicators as we have done for the previous years, so as to allow for our focus on refining our underlying systems and processes.

OUR MATERIAL ISSUE IDENTIFICATION PROCESS

At Blue Label, we consider materiality to be about identifying the issues that matter most to our business and our stakeholders. Through an enhanced understanding of our material issues and enhanced stakeholder dialogue, we believe this will help us to decide where to focus our internal resources, but will also help us to identify issues that stakeholders would like to see us cover in our reporting.

Blue Label is therefore embarking on a journey to enhance its process of determining the Group's material issues. The key steps of this process would cover:

ASSURANCE REPORT CONTINUED

For this report, the main input elements into our process of establishing the material impacts and risks covered include:

OUR ASSURANCE APPROACH: TOWARDS COMBINED ASSURANCE

Blue Label will continue its efforts to enhance the process of combined assurance to ensure the appropriate application of integrated reporting principles and the integrity of data contained in the report.

External assurance in the current year was therefore limited to the audit opinion on the Group annual financial statements until we have developed an assurance roadmap across the various assurance lines of defence in the following reporting cycles.

ASSURANCE REPORT CONTINUED

Assurance providers	Focus areas
Management	→ Provides the Board with assurance that it has implemented and monitored the Group's risk management plan and necessary internal controls. → This includes oversight of strategy implementation, performance measures, control self-assessments and the continuous monitoring of mechanisms and systems. → Management oversight aims to establish and maintain a sound control environment for managing risk and governance.
Internal audit (outsourced)	→ Overseen by the Group's ARCC. → Evaluate and make recommendations to improve the effectiveness of risk management, internal control and governance processes.
Independent external assurance	→ Independent assurance functions provide independent and objective assurance on the overall adequacy and effectiveness of controls, governance and management of critical risks. → During the current period, the Group received external assurance on certain aspects of the business, including: • annual financial statements; and • B-BBEE contributor level per subsidiary.
Board and oversight committees	→ Mandated Board committees and the executive committees oversee the adequacy and effectiveness of the material issues and risk identification and management process. → Board members may review and approve this report on the basis of assurance received from management, and taking into account feedback from our compliance functions, as well as our internal and external auditors.

FINANCIAL DIRECTOR'S REPORT

2014

The gross profit margin increase was mainly attributable to the application of cash resources to bulk inventory purchases at favourable rebates and early settlement discounts. Further growth was attributable to increases in commissions earned on the distribution of prepaid electricity, with turnover generated on behalf of the utilities, escalating to R8.8 billion.

Dean Suntup,
Financial Director

FINANCIAL DIRECTOR'S REPORT CONTINUED

FINANCIAL REVIEW

EBITDA increased by 10% to R788 million, emanating from revenue growth of 2% to R19.4 billion, an increase in gross profit margins of 0.26% and limiting additional overheads to 3%. Headline earnings per share increased to 67.98 cents.

The gross profit margin increase was mainly attributable to the application of cash resources to bulk inventory purchases at favourable rebates and early settlement discounts. Further growth was attributable to increases in commissions earned on the distribution of prepaid electricity, with turnover generated on behalf of the utilities, escalating to R8.8 billion.

Share of net losses of R57 million from associates and joint ventures, mainly attributable to BLM, negatively impacted headline earnings by 9 cents per share. Expenditure incurred by BLM on the roll-out of point-of-sale devices on a national scale is in line with its strategy to enhance its product and service offerings, the benefits of which are expected to materialise in the future.

In April 2014, the Group acquired RMCS, an enhanced service provider of telecommunication products and services, content, data and allied activities, via physical and virtual mediums. This acquisition will afford the Group access to new channels for the distribution of both RMCS and its products and services.

Cash resources accumulated to R1.2 billion of which R907 million was generated from operating activities.

FINANCIAL DIRECTOR'S REPORT CONTINUED

GROUP INCOME STATEMENT

	31 May 2014 R'000	31 May 2013 R'000	Growth R'000	% growth
Revenue	**19 401 666**	18 984 210	417 456	2
Gross profit	**1 349 534**	1 271 245	78 289	6
GP margin (%)	**6.96**	6.70	0.26	4
Other income	**26 336**	12 313	14 023	114
Overheads	**(588 162)**	(573 116)	(15 046)	(3)
EBITDA	**787 708**	710 442	77 266	11
Depreciation, amortisation and impairment	**(63 937)**	(64 543)	606	1
EBIT	**723 771**	645 899	77 872	12
Finance costs	**(166 876)**	(167 096)	220	0
Finance income	**156 250**	173 260	(17 010)	(10)
Net profit before tax	**713 145**	652 063	61 082	9
Taxation	**206 698**	197 137	(9 561)	(5)
Net profit after tax	**506 447**	454 926	51 521	11
Non-controlling interest	**1 315**	16 906	(15 591)	(92)
Share of profit from associates	**8 448**	6 726	1 722	26
Share of loss from joint ventures	**(65 321)**	(54 052)	(11 269)	(21)
Headline earnings	**450 889**	424 506	26 383	6
Headline earnings adjustments	**(659)**	335	(994)	(297)
Net profit attributable to equity holders of parent	**450 230**	424 841	25 389	6
Core intangible adjustment	**10 372**	12 675	(2 303)	(18)
Core net profit	**460 602**	437 516	23 086	5
Earnings per share	**67.88**	64.22	3.66	6
Headline earnings per share	**67.98**	64.17	3.81	6
Core earnings per share	**69.44**	66.13	3.31	5

FINANCIAL DIRECTOR'S REPORT CONTINUED

REVENUE

Revenue of R19.4 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 only.

The vending of "PINless top-ups" continues to gain momentum as a convenient and alternative mechanism for the distribution of prepaid airtime. Only the gross profit earned thereon is accounted for in Group revenue as opposed to the gross revenue generated from transactions of this nature. These sales increased from R997 million to R1.7 billion, equating to an effective increase in Group revenue of 6% as opposed to 2%.

GROSS PROFIT

Gross profit increased by R78 million (6%) with margins increasing by 0.26% from 6.70% to 6.96%.

The increase in gross profit margins was achieved through the application of cash resources to bulk inventory purchases at favourable rebates and early settlement discounts.

Further growth was attributable to increases in commissions earned on the distribution of prepaid electricity, with turnover generated on behalf of the utilities escalating to R8.8 billion.

OVERHEADS

Overheads comprising employee costs and operating expenses totalled R588 million, confining an increase to R15 million (3%).

EBITDA

The resultant EBITDA amounted to R788 million, an increase of 11% before headline earnings adjustments.

DEPRECIATION AND AMORTISATION

Depreciation, amortisation and impairment charges decreased by R0.6 million.

The amortisation of intangible assets, in terms of purchase price allocations, declined by R2.5 million in line with the expiration of useful tenure. This was offset by an increase in depreciation on the remainder of the Group's assets by R1.9 million.

FINANCE COSTS

Finance costs totalled R167 million, of which R23 million related to interest paid on borrowed funds and R144 million to imputed IFRS interest adjustments on credit received from suppliers. On a comparative basis, interest paid on borrowed funds amounted to R24 million and the imputed IFRS interest adjustment equated to R143 million. Interest paid was attributable to the cost of financing bulk inventory purchase transactions and early settlement payments attracting discounts, for which facilities were utilised and repaid during the current year.

FINANCE INCOME

Finance income totalled R156 million, of which R39 million was attributable to interest received on cash resources and R117 million to IFRS interest adjustments on credit provided to customers. On a comparative basis, interest received on cash resources amounted to R45 million and the imputed IFRS interest adjustment to R128 million. The decline in interest received was attributable to the partial utilisation of funds on hand for bulk inventory purchase transactions, early settlement discounts as well as for the funding of the acquisitions of RMCS and a distribution channel.

FINANCIAL DIRECTOR'S REPORT CONTINUED

NON-CONTROLLING INTEREST

Minority share of net losses decreased by R15.6 million to R1.3 million. Of this decrease, R10.4 million was attributable to a reduction in expenditure incurred by APSN as well as to the dilution of minority shareholding therein by 24.01% in the prior year and a further dilution by 18% in APS SA in January 2014.

A further R5.2 million was attributable to an increase in minority share of profits in Transaction Junction.

SHARE OF PROFIT FROM ASSOCIATES

The share of profits of R8.4 million was mainly attributable to the Group's net share of earnings of Ukash and Oxigen Services India.

SHARE OF LOSSES FROM JOINT VENTURES

The share of losses of R65 million was mainly attributable to the Group's 45.57% share of Blue Label Mexico.

HEADLINE EARNINGS

Headline earnings increased by 6% to R451 million and headline earnings per share increased by 6% to 67.98 cents.

Segmental report

SOUTH AFRICAN DISTRIBUTION

	2014 R'000	2013 R'000	Growth R'000	% growth
Revenue	**19 103 652**	18 712 080	391 572	2
Gross profit	**1 180 376**	1 121 747	58 629	5
EBITDA	**821 310**	796 439	24 871	3
Core net profit	**558 996**	570 766	(11 770)	(2)
Gross profit margin (%)	**6.18**	5.99		
EBITDA margin (%)	**4.30**	4.26		

FINANCIAL DIRECTOR'S REPORT CONTINUED

Although the South African distribution segment continues to dominate contribution to Group profitability, growth in EBITDA was confined to 3% due to costs incurred for future growth in its distribution channel as well as margin compression caused by competitive forces.

The increase in revenue of 2%, effectively equating to 6% on imputing the gross revenue generated from "PINless top-ups", and gross profit margin increases, resulted in the growth in EBITDA by 3% to R821 million. These earnings were inclusive of extraneous costs of R19 million that were incurred in the settlement of a contractual dispute and the early termination of a profit share agreement. EBITDA margins increased from 4.26% to 4.30%.

Net commissions earned on the distribution of prepaid electricity increased by R20 million to R133 million (17%) on revenue generated on behalf of the utilities that increased from R7.2 billion to R8.8 billion.

Core net profit declined by 2% primarily due to a reduction in net finance income of R15 million net of taxation. This was congruent with the application of cash resources to bulk purchasing transactions, early settlement discounts and the cost of funding acquisitions.

INTERNATIONAL DISTRIBUTION

	2014 R'000	2013 R'000	Growth R'000	% growth
EBITDA	**(13 961)**	(31 000)	17 039	55
Share of (losses)/profits from associates and joint ventures	**(56 249)**	(49 036)	(7 213)	(15)
– Ukash	**14 089**	7 291	6 798	93
– Oxigen Services India	**(3 259)**	(565)	(2 694)	(477)
– Blue Label Mexico	**(60 844)**	(51 124)	(9 720)	(19)
– Other	**(6 235)**	(4 638)	(1 597)	(34)
Core net loss	**(59 987)**	(73 294)	13 307	18
– Equity holders of the parent	**(47 862)**	(50 685)	2 823	6
– Non-controlling interests	**(12 125)**	(22 609)	10 484	46

FINANCIAL DIRECTOR'S REPORT CONTINUED

The positive movement in EBITDA was attributable to a decline in legal fees incurred by Africa Prepaid Services Nigeria from R31 million to R20 million and foreign exchange movements of R6 million.

The share of net losses from associates and joint ventures comprised the following:

UKASH

The Group's share of profits in Ukash, after the amortisation of intangible assets, increased from R7.3 million to R14.1 million. Of this growth, R2.1 million was attributable to foreign exchange gains and a consolidation adjustment of R3.2 million. Organic growth resulted from increases in revenue of 14%, gross profit of 20% and EBITDA of 7%, all reported in their local currency.

OXIGEN SERVICES INDIA

Although revenue increased by 27% at static margins, the Group's share of losses increased by R2.7 million to R3.2 million.

Expenditure increased in line with the strategy to focus on the growth of financial services transactions, facilitated by its vast network of points of presence. Implementation of this strategy requires working capital, improvements in IT infrastructure along with additional personnel and other resources.

Oxigen Services India aims to become India's first non-banked mobile wallet that empowers the unbanked masses to instantly transfer and receive cash across the entire country.

Its money transfer services are currently transacting at USD2.3 million per day, increasing exponentially through its connectivity with the National Payment Corporation of India. This provides instantaneous services to its retail network in India.

BLUE LABEL MEXICO

In the comparative year, BLM incurred losses to the equivalent of R113 million of which the Group's share equated to R51 million after the amortisation of intangible assets. In the current year, BLM's losses increased to an equivalent of R131 million, of which the Group's share equated to R61 million. Of this amount, R9 million was attributable to foreign exchange movements.

Although revenue in local currency increased by 43%, increases in expenditure and depreciation, necessitated by an aggressive roll-out of point-of-sale devices and ancillary support required thereon, were the fundamental causes for the increase in losses.

At the end of the financial year, 91 409 point-of-sale devices had been installed.

FINANCIAL DIRECTOR'S REPORT CONTINUED

MOBILE

	2014 R'000	2013 R'000	Growth R'000	% growth
Revenue	**152 618**	151 420	1 198	1
Gross profit	**109 756**	95 134	14 622	15
EBITDA	**34 273**	37 055	(2 782)	(8)
Core net profit	**24 904**	24 787	117	0

This segment comprises Cellfind, Panacea Mobile, Blue Label Engage, Simigenix and Blue Label One. Of the revenue growth of R1.2 million, Panacea, Blue Label Engage and Cellfind contributed R18 million. This was offset by a decline of R13 million in revenue generated by the projects and media divisions of Blue Label One. A further R4 million was attributable to the disposal of Content Connect Africa during the comparative year.

The negative performance of Blue Label One manifested itself in neutral growth in core net profit for this segment. Positive growth contributions of R7 million to core net profit by the other companies within this segment were entirely offset by movement in losses incurred by Blue Label One. As a result, the latter has been restructured in order to avoid repetition of its negative performance.

SOLUTIONS

	2014 R'000	2013 R'000	Growth R'000	% growth
Revenue	**145 396**	120 710	24 686	20
Gross profit	**59 402**	54 364	5 038	9
EBITDA	**29 257**	24 703	4 554	18
Core net profit	**12 547**	13 190	(643)	(5)

The Solutions segment houses Blue Label Data Solutions (BLDS), Velociti, Forensic Intelligence Data Solutions, Datacision, Blue Label Call Centre and CNS Call Centre. BLDS contributed R26 million to EBITDA translating to R13 million at core net profit level.

FINANCIAL DIRECTOR'S REPORT CONTINUED

CORPORATE

	2014 R'000	2013 R'000	Growth R'000	% growth
EBITDA	**(82 886)**	(113 575)	30 689	27
Core net loss	**(87 983)**	(120 542)	32 559	27

The decline in losses was directly attributable to the forfeiture of executive bonuses.

STATEMENT OF FINANCIAL POSITION

Total assets increased by R782 million to R6.5 billion, of which growth in non-current assets accounted for R458 million and current assets for R324 million.

The increase in non-current assets was mainly attributable to a net growth in intangible assets and goodwill of R300 million, capital expenditure net of depreciation of R9 million and to investment in associates and joint ventures of R74 million.

The increase in intangible assets and goodwill was mainly attributable to the acquisition of RMCS, of which goodwill equated to R206 million and intangibles R104 million. A further R84 million was incurred for the purchase of a distribution channel. Amortisation of intangibles amounted to R95 million.

The increase in investment in associates and joint ventures was predominantly due to an additional R89 million capital contribution to Blue Label Mexico, movement in loans of R11 million, unrealised foreign exchange gains of R16 million and a positive impact of R26 million in foreign currency translation reserves, offset by a dividend received from Ukash of R11 million and share of net losses incurred of R57 million.

The net movement in current assets mainly comprised growth in cash resources of R243 million, an increase in accounts receivable of R643 million, offset by a decline in inventories of R552 million.

The debtors collection period extended from 38 days reported at the interim reporting date to 40 days.

In line with the decline in inventory, the stock turn improved from 33 days reported at the interim reporting date to 26 days.

The net profit attributable to equity holders of R450 million, less a dividend of R169 million, resulted in an accumulation of retained earnings to R2.2 billion.

Trade and other payables increased by R476 million with credit terms averaging 55 days.

STATEMENT OF CASH FLOWS

Cash flows from operating activities totalling R907 million, the dividend received of R11 million from Ukash and loans recovered of R29 million were applied to investing activities relating to the purchase of intangible assets to the extent of R103 million, acquisitions of R273 million, additional funding of R86 million to Blue Label Mexico and capital expenditure of R46 million.

FINANCIAL DIRECTOR'S REPORT CONTINUED

A further R197 million was applied to financing activities, of which R11 million was expended on the acquisition of treasury shares, dividends paid of R169 million and the acquisition of non-controlling interests totalling R16 million.

The net increase in cash and cash equivalents amounted to R243 million, resulting in cash resources accumulating to R1.2 billion.

FORFEITABLE SHARE SCHEME

Forfeitable shares totalling 2 782 541 (2013: 3 496 103) were issued to qualifying employees. During the year 1 074 880 (2013: 1 285 962) shares were forfeited and 3 629 922 (2013: 2 700 513) shares vested.

DIVIDEND NO 5

The Group's current dividend policy is to declare an annual dividend. On 19 August 2014 the Board approved a gross ordinary dividend (number 5) of 27 cents per ordinary share (22.95 cents per ordinary share net of dividend withholding tax) for the year ended 31 May 2014. This dividend of R182 117 441, inclusive of withholding tax, equates to a 2.48 cover on headline earnings. The dividend for the year ended 31 May 2014 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 35 to the Group annual financial statements, subsequent events post this disclosure with regard to the Multi-links litigation took place. Parties have agreed that the trial will commence on 10 August 2015 and it is expected that the court will confirm this date shortly.

APPRECIATION

I wish to express my gratitude to the Group's finance team for their professional input and dedication.

Dean Suntup
Financial Director

22 October 2014

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PROMINENT NOTICE

These annual financial statements have been audited by our external auditor PricewaterhouseCoopers Inc. in compliance with the applicable requirements of the Companies Act, No 71 of 2008. Dean Suntup, Financial Director, supervised the preparation of the annual financial statements.

DA Suntup 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, No 71 of 2008.

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 Group and Company financial statements and are responsible for both its accuracy and its consistency.

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 Group and Company.

The Group and Company financial statements have been audited by the independent auditors, PricewaterhouseCoopers Inc., who were 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 112 to 255 were produced and approved by the board of directors on 19 August 2014 and are signed on their behalf by:

LM Nestadt
Non-executive Chairman

DA Suntup
Financial Director

BM Levy
Joint Chief Executive Officer

MS Levy
Joint Chief Executive Officer

DECLARATION BY THE 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 2014, 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
Group Company Secretary

Sandton
19 August 2014

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 2014.

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 attributable to equity holders for the year ended 31 May 2014 of R450 million (2013: R425 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 2014 were approved by the Board and signed on its behalf on 19 August 2014.

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 Group and the Company have adequate resources in place to continue in operation for the foreseeable future.

ACQUISITIONS

On 7 April 2014 The Prepaid Company Proprietary Limited, a wholly owned subsidiary of Blue Label Telecoms Limited, purchased the entire share capital of Retail Mobile Credit Specialists Proprietary Limited for R299 million plus an additional amount of R31.4 million if certain profit warranties are achieved. Of this additional amount R15.4 million has been paid on 2 June 2014. Refer to note 26.1 of the Group annual financial statements for further information.

On 31 January 2014 Blue Label Telecoms Limited acquired a further 18% of Africa Prepaid Services Proprietary Limited, increasing its holding to 90%. Refer to note 26.2 of the Group annual financial statements for further details.

SHARE CAPITAL

Full details of the authorised, issued and unissued capital of the Company at 31 May 2014 are contained in note 13 of the Group annual financial statements. There were no shares issued during the financial year ended 31 May 2014 (2013: nil).

SUBSEQUENT EVENTS

Subsequent to year-end, dividend number 5 was declared and approved by the Board.

In August 2014 Blue Label Telecoms completed a transaction in which it acquired 75% of Viamedia Proprietary Limited ('Viamedia'). The purchase consideration is for an initial sum of R144.4 million plus additional amounts totalling up to R103.1 million if warranted profits are achieved by Viamedia during the forthcoming 36 months. If the warranted profits are not achieved, the above additional payments will be abated on a pro-rata basis. A further R112.5 million or part thereof will be payable if stretched targets over and above the warranted accumulated profits over the next three years are achieved.

DIVIDEND

On 19 August 2014 the Board approved a dividend of 27 cents per ordinary share. The dividend in respect of ordinary shares for the year ended 31 May 2014 of R182 117 441 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 cum dividend	Friday, 5 September 2014
Shares commence trading ex dividend	Monday, 8 September 2014
Record date	Friday, 12 September 2014
Payment of dividend	Monday, 15 September 2014

Share certificates may be dematerialised or rematerialised between Monday, 8 September 2014 and Friday, 12 September 2014, 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 26 days after the directors have performed the solvency and liquidity testing.

Dividend tax is provided for at 15% of the amount of any dividend paid by Blue Label Telecoms, 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.

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 Mthimunye	Independent non-executive director	5 October 2007	—
Mark V Pamensky	Chief Operating Officer	5 October 2007	—
David B Rivkind	Financial Director	5 October 2007	Resigned 14 November 2013
Dean A Suntup	Financial Director	14 November 2013	—
Jeremiah S Vilakazi	Independent non-executive director	19 October 2011	—

DIRECTORS' REPORT CONTINUED

PRESCRIBED OFFICER

DA Suntup was a prescribed officer of the Company until 14 November 2013. On that date he was appointed the Financial Director.

DIRECTORS' AND PRESCRIBED OFFICER'S INTERESTS

The individual interests declared by directors and officers in the Company's share capital as at 31 May 2014, held directly or indirectly, were as follows:

	Nature of interest			
	Direct beneficial		Indirect beneficial	
Director/officer	**2014**	2013	**2014**	2013
BM Levy	**75 078 183**	74 644 607	**8 272 778**	8 272 778
MS Levy	**67 670 775**	67 237 199	**8 272 777**	8 272 777
KM Ellerine	**—**	—	**266 667**	296 297
JS Mthimunye	**30 000**	30 000	**—**	—
MV Pamensky	**—**	—	**5 565 738**	5 565 738
LM Nestadt	**—**	—	**8 204 674**	8 204 674
GD Harlow	**—**	—	**2 414 815**	2 414 815
NN Lazarus	**3 803 424**	4 803 424	**177 779**	177 779
DB Rivkind	**—**	—	**—**	3 700 000
DA Suntup	**189 037**	—	**3 877 778**	3 877 778
SJ Vilakazi	**—**	—	**—**	—

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

	Number of shares	
Director/officer	**2014**	2013
Beneficial	**183 824 425**	187 497 866

The beneficial interest held by directors and officers of the Company constitutes 27.69% (2013: 28.34%) of the issued share capital of the Company.

Details of directors' and prescribed officer emoluments and equity compensation benefits are set out in note 29 of the Group annual financial statements and details of the forfeitable share plan are set out in note 31.

RESOLUTIONS

On 29 November 2013 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.

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

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 arm's-length relationship with the Board.

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

AMERICAN DEPOSITORY RECEIPT FACILITY

Blue Label Telecoms has a sponsored American depository receipt facility. 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 112 to 255, which comprise the statements of financial position as at 31 May 2014, 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 2014, 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.

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 2014, we have read the directors' report, the Audit, Risk and Compliance Committee's report and the declaration of 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.

PricewaterhouseCoopers Inc.
Director: **EJ Gerryts**
Registered Auditor

Johannesburg
19 August 2014

GROUP STATEMENT OF FINANCIAL POSITION

As at 31 May 2014

	Notes	2014 R'000	2013 R'000
ASSETS			
Non-current assets		**1 798 307**	1 340 410
Property, plant and equipment	4	**97 200**	88 125
Intangible assets	5	**582 550**	488 383
Goodwill	5	**423 384**	217 635
Investments in and loans to associates and joint ventures	6	**598 109**	524 162
Loans receivable	7	**18 501**	1 000
Starter pack assets	8	**2 307**	2 573
Trade and other receivables	9	**51 604**	—
Deferred taxation assets	10	**24 652**	18 532
Current assets		**4 704 580**	4 380 137
Starter pack assets	8	**1 010**	1 115
Inventories	11	**1 306 206**	1 858 511
Loans receivable	7	**27 850**	36 431
Trade and other receivables	9	**2 181 973**	1 539 365
Current tax assets		**3 410**	3 433
Cash and cash equivalents	12	**1 184 131**	941 282
Total assets		**6 502 887**	5 720 547
EQUITY AND LIABILITIES			
Capital and reserves		**3 523 989**	3 242 853
Share capital	13	*****	*
Share premium		**4 012 359**	4 012 359
Treasury shares		**(66 527)**	(72 468)
Restructuring reserve		**(1 843 912)**	(1 843 912)
Foreign currency translation reserve		**128 648**	102 989
Non-distributable reserve		**10 150**	10 150
Transaction with non-controlling interest reserve		**(957 230)**	(931 125)
Equity compensation benefit reserve		**32 368**	38 204
Share-based payment reserve		**1 292**	1 292
Retained earnings		**2 222 685**	1 941 082
		3 539 833	3 258 571
Non-controlling interest		**(15 844)**	(15 718)
Non-current liabilities		**92 400**	11 942
Deferred taxation liabilities	10	**41 510**	11 942
Trade and other payables	14	**50 178**	—
Provisions	15	**712**	—
Current liabilities		**2 886 498**	2 465 752
Trade and other payables	14	**2 818 898**	2 393 222
Provisions	15	**23 777**	19 029
Current tax liabilities		**28 733**	39 504
Non-interest-bearing borrowings	16	**12 437**	12 017
Current portion of interest-bearing borrowings	16	**2 653**	1 980
Total equity and liabilities		**6 502 887**	5 720 547

** Less than R1 000.*

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 May 2014

	Notes	2014 R'000	2013 R'000
Revenue	17	**19 401 666**	18 984 210
Other income		**26 692**	16 137
Changes in inventories of finished goods		**(18 052 132)**	(17 712 965)
Employee compensation and benefit expense	18	**(332 542)**	(332 901)
Depreciation, amortisation and impairment charges		**(65 137)**	(67 951)
Other expenses		**(255 691)**	(240 859)
Operating profit	19	**722 856**	645 671
Finance costs	20	**(166 876)**	(167 096)
Finance income	20	**156 250**	173 260
Share of losses from associates and joint ventures	6	**(56 873)**	(47 326)
Net profit before taxation		**655 357**	604 509
Taxation	21	**(206 442)**	(196 404)
Net profit for the year		**448 915**	408 105
Other comprehensive income:			
Share of other comprehensive income of associates and joint ventures*		**26 099**	79 722
Exchange (loss)/profit on translation of foreign operations*		**(462)**	8 166
Other comprehensive income for the year, net of tax		**25 637**	87 888
Total comprehensive income for the year		**474 552**	495 993
Net profit for the year attributable to:			
Equity holders of the parent		**450 230**	424 841
Non-controlling interest		**(1 315)**	(16 736)
Total comprehensive income for the year attributable to:			
Equity holders of the parent		**475 889**	512 441
Non-controlling interest		**(1 337)**	(16 448)
Earnings per share for profit attributable to:			
Equity holders (cents)			
– Basic	22	**67.88**	64.22
– Diluted	22	**66.86**	63.19

* *These components of other comprehensive income do not attract any tax and may subsequently be recycled to profit or loss.*

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 31 May 2014

	Notes	Share capital R'000	Share premium R'000	Treasury shares R'000	Retained earnings R'000
Balance as at 31 May 2012		*	4 012 359	(71 043)	1 671 378
Net profit for the year		—	—	—	424 841
Other comprehensive income		—	—	—	—
Total comprehensive income		—	—	—	424 841
Treasury shares purchased	13	—	—	(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	26.2	—	—	—	—
Non-controlling interest acquired during the year	26.1	—	—	—	—
Balance as at 31 May 2013		*	4 012 359	(72 468)	1 941 082
Net profit for the year		**—**	**—**	**—**	**450 230**
Other comprehensive income		**—**	**—**	**—**	**—**
Total comprehensive income		**—**	**—**	**—**	**450 230**
Treasury shares purchased	13	**—**	**—**	**(11 120)**	**—**
Equity compensation benefit scheme shares vested		**—**	**—**	**17 061**	**—**
Equity compensation benefit movement		**—**	**—**	**—**	**—**
Share of equity movement in associates		**—**	**—**	**—**	**—**
Dividends		**—**	**—**	**—**	**(168 627)**
Transaction with non-controlling interest reserve movement	26.2	**—**	**—**	**—**	**—**
Non-controlling interest movement		**—**	**—**	**—**	**—**
Balance as at 31 May 2014		*****	**4 012 359**	**(66 527)**	**2 222 685**

** 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 26.2.

4 This relates to the Group's movement in equity compensation benefit (refer to note 31) 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 Sangrilor 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 Sangrilor 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 2014

Restructuring reserve[1] R'000	Foreign currency translation reserve R'000	Non-distributable reserve[2] R'000	Transactions with non-controlling interest reserve[3] R'000	Equity 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)	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
—	**—**	**—**	**—**	**—**	**—**	**450 230**	**(1 315)**	**448 915**
—	**25 659**	**—**	**—**	**—**	**—**	**25 659**	**(22)**	**25 637**
—	**25 659**	**—**	**—**	**—**	**—**	**475 889**	**(1 337)**	**474 552**
—	**—**	**—**	**—**	**—**	**—**	**(11 120)**	**—**	**(11 120)**
—	**—**	**—**	**—**	**(16 792)**	**—**	**269**	**(269)**	**—**
—	**—**	**—**	**—**	**10 792**	**—**	**10 792**	**277**	**11 069**
—	**—**	**—**	**—**	**164**	**—**	**164**	**—**	**164**
—	**—**	**—**	**—**	**—**	**—**	**(168 627)**	**(1 805)**	**(170 432)**
—	**—**	**—**	**(26 105)**	**—**	**—**	**(26 105)**	**3 760**	**(22 345)**
—	**—**	**—**	**—**	**—**	**—**	**—**	**(752)**	**(752)**
(1 843 912)	**128 648**	**10 150**	**(957 230)**	**32 368**	**1 292**	**3 539 833**	**(15 844)**	**3 523 989**

GROUP STATEMENT OF CASH FLOWS

For the year ended 31 May 2014

	Notes	2014 R'000	2013 R'000
Cash flows from operating activities			
Cash received from customers		**18 708 547**	18 832 495
Cash paid to suppliers and employees		**(17 579 539)**	(19 089 879)
Cash generated/(utilised) by operations	23	**1 129 008**	(257 384)
Interest received	20	**24 613**	35 806
Interest paid	20	**(22 751)**	(23 709)
Taxation paid	24	**(223 538)**	(194 507)
Net cash flows from operating activities		**907 332**	(439 794)
Cash flows from investing activities			
Acquisition of intangible assets		**(102 778)**	(272 141)
Warranty refund	5	**15 501**	—
Proceeds on disposal of intangible assets		**1 209**	70
Disposal of subsidiaries net of cash disposed	25	**—**	255
Acquisition of subsidiaries net of cash acquired	26.1	**(273 242)**	(2 770)
Acquisition of associate and joint venture	6	*****	(110 345)
Loans advanced to associates and joint ventures		**(86 368)**	(593)
Loans granted		**(16 155)**	(6 433)
Loans receivable repaid		**28 662**	137
Dividends received from associates and joint ventures		**11 118**	750
Proceeds on disposal of property, plant and equipment		**1 144**	4 198
Acquisition of property, plant and equipment		**(46 311)**	(19 464)
Net cash flows from investing activities		**(467 220)**	(406 336)
Cash flows from financing activities			
Interest-bearing borrowings repaid		**(112)**	—
Interest-bearing borrowings raised		**962**	1 809
Acquisition of non-controlling interest	26.2	**(16 190)**	(14 000)
Acquisition of treasury shares		**(11 120)**	(17 223)
Dividends paid to non-controlling interest		**(1 805)**	(3 515)
Dividends paid		**(168 627)**	(155 137)
Net cash flows from financing activities		**(196 892)**	(188 066)
Increase/(decrease) in cash and cash equivalents		**243 220**	(1 034 196)
Cash and cash equivalents at the beginning of the year		**941 282**	1 975 242
Translation difference		**(371)**	236
Cash and cash equivalents at the end of the year		**1 184 131**	941 282

* *Less than R1 000.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

For the year ended 31 May 2014

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, the JSE Listings Requirements and the 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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards, interpretations and amendments effective in 2014

The following standards and amendments are effective for the first time for the year ended 31 May 2014 and have been applied when presenting the Group's financial statements:

IFRS 12 – Disclosures of Interests In Other Entities

The adoption of IFRS 12 – *Disclosures of Interest In Other Entities* resulted in additional disclosures on interest in non-controlling interests (note 27) and interests in associates and joint ventures (note 6).

IFRS 10 – Consolidated Financial Statements

The adoption of IFRS 10 – *Consolidated Financial Statements* did not result in any change in the consolidation status of its subsidiaries.

IFRS 11 – Joint Arrangements

The adoption of IFRS 11 – *Joint Arrangements* did not result in any change in the accounting for joint arrangements.

IFRS 13 – Fair Value Measurement

The adoption of IFRS 13 – *Fair Value Measurement* did not result in any change in the Group's accounting treatments.

Amendment to IAS 1 – Presentation of Items of Other Comprehensive Income (OCI)

The adoption of the amendment to IAS 1 – *Presentation of Items of Other Comprehensive Income (OCI)* resulted in additional disclosures on the statement of comprehensive income.

The following standards, interpretations and amendments are effective for the first time for the year ended 31 May 2014 and have not had an impact on the Group's and Company's financial statements:

- Amendment to IFRS 1 – *First-time Adoption on Government Loans*
- Amendment to IFRS 7 – *Financial Instruments: Disclosures – Asset and Liability Offsetting*
- Amendment to IAS 19 – *Employee Benefits*
- Amendment to IAS 27 (revised 2011) – *Separate Financial Statements*
- Amendment to IAS 28 (revised 2011) – *Associates and Joint Ventures*
- IFRIC 20 – *Stripping Costs in the Production Phase of a Surface Mine*

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 39 on novation of derivatives

The IASB has amended IAS 39 to provide relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria. Similar relief will be included in IFRS 9 – *Financial Instruments.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards, amendments and interpretations not yet effective (continued)

This statement is effective for periods beginning on or after 1 January 2014. 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.

Amendment to IAS 36 – Impairment of Assets

These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal.

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.

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 for periods beginning on or after 1 January 2018. 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 for periods beginning on or after 1 January 2018. 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 2018. The original effective date was for annual periods beginning on or after 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 2018. The impact on the Group is stated above.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards, amendments and interpretations not yet effective (continued)

IFRS 14 – Regulatory deferral accounts

The IASB has issued IFRS 14 – *Regulatory Deferral Account*s (IFRS 14), an interim standard on the accounting for certain balances that arise from rate-regulated activities (regulatory deferral accounts). Rate regulation is a framework where the price that an entity charges to its customers for goods and services is subject to oversight and/or approval by an authorised body.

This statement is effective for periods beginning on or after 1 January 2016 and is not applicable to the Group.

Amendment to IAS 19 regarding defined benefit plan

These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

This amendment is not applicable to the Group.

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 statement of financial position. 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 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.

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.

IFRS 15 – Revenue From Contracts With Customers

This statement establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

This statement is effective for periods beginning on or after 1 January 2017. The Group is currently considering the impact on the consolidated financial statements.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards, amendments and interpretations not yet effective (continued)

IFRIC 21 – Accounting For Levies

IFRIC 21 sets out the accounting for an obligation to pay a levy that is not income tax.

The interpretation addresses diversity in practice around when the liability to pay a levy is recognised.

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.

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 2014 year-ends:

Amendment to IFRS 2 – Share-Based Payment

The amendment clarifies the definition of a "vesting condition" and separately defines "performance condition" and "service condition".

Amendment to IFRS 3 – Business Combinations

The standard is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32 – *Financial instruments: Presentation.*

The standard is further amended to clarify that all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Consequential changes are also made to IFRS 9, IAS 37 and IAS 39.

Amendment to IFRS 8 – Operating Segments

The standard is amended to require disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics.

The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Annual improvements project (continued)

Amendment to IFRS 13 – Fair Value Measurement

The IASB has amended the basis for conclusions of IFRS 13 to clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts.

Amendment to IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets

Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

The carrying amount of the asset is restated to the revalued amount.

The split between gross carrying amount and accumulated depreciation is treated in one of the following ways:
- either the gross carrying amount is restated in a manner consistent with the revaluation of the carrying amount, and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses; or
- the accumulated depreciation is eliminated against the gross carrying amount.

Amendment to IAS 24 – Related Party Disclosures

The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the management entity).

Management is currently considering the effect of the changes.

Basis of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

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.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts, reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, i.e. as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, 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.

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 using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Associates (continued)

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to 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 legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to share of profit/(loss) from associates in the statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated 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.

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

Joint ventures

Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Group financial statements are presented in South African Rand ('ZAR'), 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.

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.
- Trade and other receivables.
- Cash and cash equivalents.

Financial liabilities

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities (continued)

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, 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) 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).

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Impairment of financial assets

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

(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.

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.

Financial liabilities and equity instruments

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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

Property, plant and equipment is 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% – 33.3%
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).

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

(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 Combination*s, 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).

Distribution agreements purchased are initially shown at cost, and are subsequently carried at the initial cost 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 (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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)
Intangible assets (continued)

(e) Research and development (continued)

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.

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 postpaid 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 postpaid bases represent the right to earn revenue from the cellular network in respect of contracts forming part of the acquired base. Postpaid 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). Where the Group is entitled to a warranty refund on the initial cost of a base, this is disclosed as a reduction in the cost of the asset.

(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 and loans to 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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Leases

(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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 but not expected to be activated.

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 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.

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 2014

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 substantively 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.

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.

Dividend tax

Dividend 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.

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. Trade payables 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.

Consideration received in advance of goods sold or services rendered is recorded in trade and other payables as deferred revenue. The liability is reversed and the associated revenue is recognised only when the risks and rewards of ownership of the goods are transferred to the customer or the service has been rendered.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

(a) Equity compensation benefit (continued)

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 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.

Distributions of non-cash assets received from subsidiary companies are recognised as a dividend at the fair value of the non-cash assets received.

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 22 (core HEPS) and note 30 (segmental summary).

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

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.

(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.

2. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

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

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 Blue Label Telecoms 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 Blue Label Telecoms carries inventory risk and the customer's credit risk, whether Blue Label Telecoms has the latitude to establish pricing and whether Blue Label Telecoms has the primary responsibility for providing the goods or services to the customer.

(f) Purchased starter pack bases and postpaid starter pack bases

The relative size of the Group's purchased starter pack bases and postpaid 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 10 years, based on management's estimates and taking into account historical experience as well as future events which may impact the useful lives.

(g) Assessment of investment in joint ventures for impairment

The Group tests annually whether investment in joint ventures has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of the investment in joint ventures has been determined based on value-in-use calculations. These calculations require the use of estimates. Refer to note 6 for details on these estimates.

(h) Applicability of IFRS 10 – Consolidated Financial Statements

The Group has assessed the requirements of IFRS 10 against shareholder and management agreements and concluded that it does not change the reporting on subsidiary companies that are consolidated.

(i) Assessment of investments for impairment

The Company tests annually whether investments have 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 6 of the Company financial statements for details on these estimates.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

2. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

(j) Classification of significant joint arrangements

Joint arrangements are all arrangements where two or more parties contractually agree to share control of the arrangement, which only exists when decisions about the relevant activities require unanimous consent of the parties sharing control. Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Group exercises judgement in determining the classification of its joint arrangements.

Blue Label Mexico S.A. de C.V.

The Group holds an effective interest of 45.57% in the issued ordinary share capital of Blue Label Mexico S.A. de C.V. The joint arrangement provides the Group and the other parties to the agreement with rights to the net assets of the entity. The investment is classified as a joint venture as unanimous approval of the shareholders is required for decisions.

2DFine Holdings Mauritius

The Group holds an effective interest of 50% in the issued ordinary share capital of 2DFine Holdings Mauritius. The joint arrangement provides the Group and the other parties to the agreement with rights to the net assets of the entity. The investment is classified as a joint venture as unanimous approval of the shareholders is required for decisions.

(k) Classification of significant 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.

Smart Voucher Limited trading as Ukash

The Group has an effective interest of 17.25%. Significant influence is demonstrated as a result of representation on the board of directors.

Oxigen Services India Private Limited ('Oxigen Services India')

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 Oxigen 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 Oxigen Services India. Therefore, even though BLT has an effective interest of 55.83% in Oxigen Services India, the Group neither controls nor jointly controls Oxigen Services India.

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 R1.9 million (2013: R1.8 million).

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

3. FINANCIAL RISKS (continued)

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

	2014 R'000	2013 R'000
Loans receivable		
Group 1	**—**	10 971
Group 2	**44 973**	26 460
Group 3	**1 378**	—
	46 351	37 431
Loans to associates and joint ventures		
Group 1	**—**	—
Group 2	**153 800**	127 441
Group 3	**—**	—
	153 800	127 441
Trade receivables		
Group 1	**14 783**	15 670
Group 2	**2 117 891**	1 407 614
Group 3	**18 113**	14 974
Total unimpaired trade receivables	**2 150 787**	1 438 258

Refer to note 9 for a breakdown of the provision raised for trade receivables.

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

The Group has subordinated a portion of its loan to a joint venture in favour of other creditors, to the value of R25 million.

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.

		2014 R'000	2013 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	**1**	6
	A+	**363**	434
	A-	**82 287**	55 642
	BBB	**—**	221 357
	BBB-	**1 100 758**	663 464
	B	**—**	15
	Other	**655**	298
		1 184 064	941 216

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 R1 billion (2013: R900 million). At year-end, the facility was unutilised.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

3. FINANCIAL RISKS (continued)

Liquidity risk (continued)

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 9, 11 and 12.

The Company and a subsidiary company issued a cross surety in respect of an overdraft facility in the amount of R19.85 million (2013: R19.85 million) in favour of FNB, a division of FirstRand Bank Limited (FNB). This facility was unutilised as at 31 May 2013 and 31 May 2014. In addition, the Company and four of its subsidiaries issued a cross surety in the amount of R1.7 million in respect of credit card facilities granted by FNB.

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

			Payable in:		
	Less than one month or on demand R'000	More than one month but not exceeding one year R'000	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
2014					
Non-interest-bearing borrowings	**12 437**	**—**	**—**	**—**	**—**
Interest-bearing borrowings	**2 653**	**—**	**—**	**—**	**—**
Trade and other payables*	**1 580 441**	**1 258 679**	**46 408**	**4 482**	**—**
Total	**1 595 531**	**1 258 679**	**46 408**	**4 482**	**—**
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	—

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

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).

Contingent consideration, included in trade and other payables, are level 3 financial liabilities.

Changes in level 3 instruments are as follows:

	2014 R'000	2013 R'000
Contingent consideration		
Opening balance	**3 030**	—
Acquisition of Panacea Proprietary Limited	**6 155**	2 334
Acquisition of Blue Label Engage Proprietary Limited	**—**	335
Acquisition of Retail Mobile Credit Specialists Proprietary Limited	**15 132**	—
Settlements	**(1 800)**	—
Gains and losses recognised in profit or loss	**90**	361
Closing balance	**22 607**	3 030
Total gains or losses for the period included in profit or loss for liabilities held at the end of the reporting period, under:		
Other income	**(827)**	—
Interest paid	**917**	361
Change in unrealised gains or losses for the period included in profit or loss for liabilities held at the end of the reporting period	**917**	361

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

3. FINANCIAL RISKS (continued)

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 12 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.

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 2014, 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 2014 would increase or decrease profit before tax by R13.6 million (2013: R10.8 million).

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
2014					
Financial assets					
Cash and cash equivalents	**1 183 767**	**363**	**1**	**—**	**1 184 131**
Trade and other receivables*	**2 190 568**	**262**	**—**	**—**	**2 190 830**
Loans receivable	**46 351**	**—**	**—**	**—**	**46 351**
Loans to associates and joint ventures	**305**	**153 495**	**—**	**—**	**153 800**
	3 420 991	**154 120**	**1**	**—**	**3 575 112**
Financial liabilities					
Non-interest-bearing borrowings	**12 437**	**—**	**—**	**—**	**12 437**
Interest-bearing borrowings	**2 653**	**—**	**—**	**—**	**2 653**
Trade and other payables*	**2 888 914**	**261**	**730**	**105**	**2 890 010**
	2 904 004	**261**	**730**	**105**	**2 905 100**
Net financial position	**516 987**	**153 859**	**(729)**	**(105)**	**670 012**
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
Loans to associates and joint ventures	—	127 441	—	—	127 441
	2 422 801	128 070	21	—	2 550 892
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	127 927	(323)	(225)	153 462

* *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 have decreased or increased by R15.3 million. In the prior year, with a 10% strengthening or weakening in the rand against all other currencies, profit before tax would have decreased or increased by R12.7 million.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

3. FINANCIAL RISKS (continued)

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.

	Computer equipment R'000	Furniture and fittings R'000	Motor vehicles R'000
4. PROPERTY, PLANT AND EQUIPMENT			
Year ended 31 May 2014			
Opening carrying amount	**13 772**	**3 157**	**7 509**
Additions	**11 755**	**438**	**2 558**
Acquisition of subsidiary	**503**	**116**	**—**
Disposals	**(337)**	**(18)**	**(226)**
Depreciation charge	**(9 114)**	**(1 337)**	**(2 499)**
Impairment charges*	**(18)**	**(111)**	**—**
Closing carrying amount	**16 561**	**2 245**	**7 342**
At 31 May 2014			
Cost	**54 808**	**9 551**	**13 492**
Accumulated depreciation	**(38 077)**	**(6 602)**	**(6 150)**
Accumulated impairments	**(170)**	**(704)**	**—**
Carrying amount	**16 561**	**2 245**	**7 342**
Year ended 31 May 2013			
Opening carrying amount	11 184	4 588	7 154
Additions	10 616	344	4 608
Acquisition of subsidiary	132	23	9
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

* *All impairment charges in the current year relate to Datacel Direct Proprietary Limited, the fixed assets of which were considered not recoverable and scrapped at net book value. These impairment charges solely relate to the Solutions segment.*

** *The impairment charges in the prior year 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 impairment charges solely relate to the South African distribution segment.*

There are no property, plant and equipment assets that are encumbered.

The residual values of buildings are estimated to be higher than the carrying value and therefore there is no depreciation charge.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

Office equipment R'000	Leasehold improvements R'000	Terminals and vending machines R'000	Media equipment R'000	Plant and machinery R'000	Buildings R'000	Total R'000
1 202	**23 606**	**36 891**	**114**	**42**	**1 832**	**88 125**
518	**710**	**26 396**	**—**	**813**	**3 123**	**46 311**
108	**—**	**—**	**—**	**—**	**—**	**727**
(42)	**—**	**(235)**	**—**	**—**	**—**	**(858)**
(753)	**(6 869)**	**(16 339)**	**(8)**	**(57)**	**—**	**(36 976)**
—	**—**	**—**	**—**	**—**	**—**	**(129)**
1 033	**17 447**	**46 713**	**106**	**798**	**4 955**	**97 200**
7 014	**47 584**	**112 793**	**114**	**864**	**4 955**	**251 175**
(5 561)	**(29 699)**	**(61 493)**	**(8)**	**(66)**	**—**	**(147 656)**
(420)	**(438)**	**(4 587)**	**—**	**—**	**—**	**(6 319)**
1 033	**17 447**	**46 713**	**106**	**798**	**4 955**	**97 200**
2 453	31 052	53 767	114	44	1 832	112 188
245	652	2 968	—	31	—	19 464
—	—	414	—	—	—	578
(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

	Goodwill R'000	Trademarks R'000	Customer listing R'000
5. INTANGIBLE ASSETS			
Year ended 31 May 2014			
Opening carrying amount	**217 635**	**1 975**	**1 482**
Additions	**—**	**—**	**159**
Acquisition of subsidiary	**205 749**	**—**	**—**
Disposals	**—**	**—**	**—**
Amortisation charge	**—**	**(677)**	**(610)**
Impairment charges	**—**	**—**	**—**
Closing carrying amount	**423 384**	**1 298**	**1 031**
At 31 May 2014			
Cost	**454 250**	**6 835**	**33 306**
Accumulated amortisation	**(4 746)**	**(5 537)**	**(32 275)**
Accumulated impairments	**(26 120)**	**—**	**—**
Carrying amount	**423 384**	**1 298**	**1 031**
Year ended 31 May 2013			
Opening carrying amount	213 498	2 730	1 967
Additions	—	8	330
Acquisition of subsidiary	14 729	—	—
Disposals	(10 592)	(76)	—
Amortisation charge	—	(687)	(815)
Impairment charges	—	—	—
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

* *Included in the amortisation charge is an amount of R70 million (2013: R51 million) in respect of the purchased starter pack bases and postpaid bases, which is charged to the changes in inventories of finished goods line in the statement of comprehensive income.*

** *The postpaid base acquired included a warranty clause pertaining to the initial performance of the base. During the year, the Group was entitled to a warranty refund on the initial cost of the base, which is disclosed as a reduction in the cost of the asset.*

*** *This represents independently distributed starter pack bases and postpaid bases purchased during the prior year. The remaining amortisation periods range between 31 months and 103 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 2014

Distribution agreement R'000	Computer software R'000	Internally generated software development costs R'000	Franchise fees R'000	Customer relationships R'000	Purchased starter pack bases and postpaid bases*** R'000	Total R'000
723	**25 550**	**21 669**	**1 611**	**4 789**	**430 584**	**706 018**
89 359	**10 306**	**2 954**	**—**	**—**	**(15 501)****	**87 277**
101 174	**24**	**2 979**	**—**	**—**	**—**	**309 926**
—	**—**	**(1 210)**	**—**	**—**	**—**	**(1 210)**
(10 999)	**(3 452)**	**(9 095)**	**(260)**	**(90)**	**(69 821)***	**(95 004)**
—	**(77)**	**(797)**	**—**	**(199)**	**—**	**(1 073)**
180 257	**32 351**	**16 500**	**1 351**	**4 500**	**345 262**	**1 005 934**
202 339	**82 078**	**44 881**	**3 118**	**131 023**	**510 668**	**1 468 498**
(20 204)	**(49 240)**	**(13 814)**	**(1 767)**	**(125 709)**	**(165 406)**	**(418 698)**
(1 878)	**(487)**	**(14 567)**	**—**	**(814)**	**—**	**(43 866)**
180 257	**32 351**	**16 500**	**1 351**	**4 500**	**345 262**	**1 005 934**
4 310	30 764	21 837	6 897	5 810	217 885	505 698
—	6 262	1 219	—	325	263 997	272 141
—	4	6 127	—	4 500	—	25 360
(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. INTANGIBLE ASSETS

The cash-generating units to which goodwill is allocated are presented below:

	2014 R'000	2013 R'000
Blue Label Distribution Proprietary Limited	**36 364**	36 364
Blue Label Engage Proprietary Limited	**2 742**	2 742
Cellfind Proprietary Limited	**21 406**	21 406
Retail Mobile Credit Specialists Proprietary Limited[1]	**205 749**	—
Crown Cellular[2]	**62 113**	62 113
Panacea Mobile Proprietary Limited	**6 883**	6 883
TicketPros Proprietary Limited	**5 104**	5 104
Datacel Group	**83 023**	83 023
	423 384	217 635

[1] *Retail Mobile Credit Specialists Proprietary Limited was acquired in the current year (refer to note 26.1).*

[2] *Crown Cellular Proprietary Limited was deregistered and the business divisionalised into The Prepaid Company Proprietary Limited.*

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

The recoverable amount, which is the higher of fair value less cost to sell and the 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.

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

	2014		2013	
	Growth rate %	**Discount rate %**	Growth rate %	Discount rate %
Blue Label Distribution Proprietary Limited	**4.20**	**15.28**	4.20	14.79
Blue Label Engage Proprietary Limited	**4.00**	**18.92**	4.00	17.99
Cellfind Proprietary Limited	**4.00**	**18.42**	4.00	17.49
Retail Mobile Credit Specialists Proprietary Limited	**4.20**	**15.28**	—	—
Crown Cellular	**4.50**	**16.78**	4.50	16.29
Panacea Mobile Proprietary Limited	**4.00**	**18.42**	4.00	17.49
TicketPros Proprietary Limited	**4.20**	**15.28**	4.20	14.79
Datacel Group	**2.50**	**21.42**	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.

For Blue Label Distribution Proprietary Limited and Blue Label Engage Proprietary Limited if one or more of the inputs were changed to a reasonable possible alternative assumption, there would be no impairments that would have to be recognised.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

5. INTANGIBLE ASSETS (continued)

For the remaining balances of goodwill, the discount rate used when calculating the value-in-use calculations would need to be increased by the following amounts before any impairments would need to be recognised:

	Increase in discount rate %
Cellfind Proprietary Limited	0.90
Retail Mobile Credit Specialists Proprietary Limited	7.10
Crown Cellular	21.40
Panacea Mobile Proprietary Limited	7.60
TicketPros Proprietary Limited	26.20
Datacel Group	4.50

The valuation of the goodwill balances did not result in goodwill impairment charges for the year (2013: nil).

	2014 R'000	2013 R'000
6. INVESTMENTS IN AND LOANS TO ASSOCIATES AND JOINT VENTURES		
Cost and share of reserves at the beginning of the year	**396 721**	224 551
Acquisition of associates and joint ventures	**89 316**	138 174
Share of losses from associates and joint ventures	**(56 873)**	(47 326)
Share of results after tax	**(53 558)**	(43 150)
Amortisation of intangible assets	**(4 604)**	(5 800)
Deferred tax on intangible assets amortisation	**1 289**	1 624
Foreign currency translation reserve	**26 099**	79 722
Equity compensation benefit	**164**	77
Dividends received	**(11 118)**	(750)
Disposal of joint ventures	**—**	2 273
Cost and share of reserves at the end of the year	**444 309**	396 721
Loans at the beginning of the year	**127 441**	132 920
Loans granted to associates and joint ventures	**99 217**	94 161
Disposal of joint ventures	**—**	(1 110)
Loans impaired	**—**	(2 039)
Loan granted to joint venture capitalised**	**(89 316)**	(112 822)
Unrealised foreign exchange profit on loans to associates and joint ventures	**16 458**	16 331
Loans at the end of the year	**153 800**	127 441
Closing net book value	**598 109**	524 162

*** On 10 September 2013, a loan of R85.8 million was advanced to Blue Label Mexico S.A. de C.V. (BLM). This loan was capitalised on 18 December 2013. The difference of R3.5 million relates to foreign exchange movements.*

6. INVESTMENTS IN AND LOANS TO ASSOCIATES AND JOINT VENTURES (continued)

Investments in associates and joint ventures include goodwill to the value of R273 million (2013: R257 million).

There was no impairment of investment in associates and joint ventures.

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

	2014			2013	
	Growth rate %	**Terminal value price multiple x**	**Discount rate %**	Growth rate %	Discount rate %
Oxigen Services India Private Limited	*****	**7.40**	**29**	1	18.03
Blue Label Mexico S.A. de C.V.	**3.50**	*****	**17.44**	4.50	17.80

* *Not applicable.*

The inputs used when calculating the value-in-use calculations would need to be increased/(decreased) by the following amounts before any impairment would need to be recognised:

	2014		
	Growth rate %	**Terminal value price multiple x**	**Discount rate %**
Oxigen Services India Private Limited	*****	**(5.1)**	**31.5**
Blue Label Mexico S.A. de C.V.	**(4.6)**	*****	**2.8**

* *Not applicable.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

6. INVESTMENTS IN AND LOANS TO ASSOCIATES AND JOINT VENTURES (continued)

Loans to associates and joint ventures

	Interest rate	2014 R'000	2013 R'000
Oxigen Services India Private Limited	Libor + 1.50%	**25 068**	18 643
Blue Label Mexico S.A. de C.V.	4.50%	**1 054**	—
2DFine Holdings Mauritius*	10%	**127 373**	108 798
Forensic Intelligence Data Solutions Proprietary Limited	—	**305**	—
		153 800	127 441

* *Refer to note 28 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

		Date acquired	Effective percentage
Forensic Intelligence Data Solutions Proprietary Limited	Associate	1 June 2013	25
Blue Label Mexico S.A. de C.V.	Joint venture	1 January 2014	0.57

During the year, Forensic Intelligence Data Solutions Proprietary Limited was acquired for a consideration of 25 cents.

In the current year, there was a further capital contribution of R89.3 million to BLM. This resulted in a dilution of shares held by an outside shareholder increasing our shareholding to 45.57%.

Shares in joint venture acquired during the prior year

		Date acquired	Effective percentage
Blue Label Mexico S.A. de C.V.	Joint venture	1 September 2012	5

On 1 September 2012, Blue Label Telecoms acquired a further 5% in BLM for a purchase consideration of R21.1 million. A further capital contribution of R89.2 million was advanced to BLM during the prior year. The loan balance at 31 May 2012 amounting to R27.8 million was capitalised during the prior year.

Shares in joint ventures disposed of during the prior year

		Date disposed	Effective percentage
E-mail Marketing Solutions Proprietary Limited	Joint venture	31 October 2012	40.5
Betterquote Proprietary Limited	Joint venture	31 August 2012	21.06
Bela Phone Company Proprietary Limited	Joint venture	1 May 2013	51.00

6. INVESTMENTS IN AND LOANS TO ASSOCIATES AND JOINT VENTURES (continued)

Associates

The Group's interests in its principal significant associates, which are unlisted, are as follows:

Associate	**Smart Voucher Limited trading as Ukash**		**Oxigen Services India Private Limited**	
Principal activity	**Online cash payment provider**		**Airtime and payment solution provider**	
Country of incorporation	**United Kingdom**		**India**	
	2014 R'000	2013** R'000	**2014 R'000**	2013** R'000
Statement of financial position				
Non-current assets	**22 174**	25 069	**117 463**	135 149
Current assets	**797 626**	626 972	**166 965**	89 595
Cash and cash equivalents	**611 510**	509 524	**77 159**	25 564
Other current assets	**186 116**	117 448	**89 806**	64 031
	819 800	652 041	**284 428**	224 744
Total equity	**206 098**	179 628	**75 037**	81 130
Non-current liabilities	**—**	1 302	**32 085**	32 136
Current liabilities	**613 702**	471 111	**177 306**	111 478
	819 800	652 041	**284 428**	224 744
Effective percentage held	**17.25**	17.25	**55.83**	55.83
Net assets	**206 098**	179 628	**75 037**	81 130
Interest in associate	**35 552**	30 986	**41 893**	45 295
Goodwill	**44 224**	34 666	**36 828**	36 457
Movements in share premium not accounted for*	**—**	—	**(20 404)**	(20 404)
Balance at the end of the year	**79 776**	65 652	**58 317**	61 348

* *IAS 28* – Investment In Associates *was amended to allow only movements in the associates' other comprehensive income to be accounted for.*

** *Summarised information has been restated to reflect adjustments made by the Group when applying the equity method as required by IFRS 12. Previously the information was presented before any adjustments in accordance with IAS 28.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

6. INVESTMENTS IN AND LOANS TO ASSOCIATES AND JOINT VENTURES (continued)

Associate	**Smart Voucher Limited trading as Ukash**		**Oxigen Services India Private Limited**	
Principal activity	**Online cash payment provider**		**Airtime and payment solution provider**	
Country of incorporation	**United Kingdom**		**India**	
	2014 R'000	2013** R'000	**2014 R'000**	2013** R'000
Statement of comprehensive income				
Revenue	**498 975**	357 247	**3 860 132**	3 044 819
Operating profit before depreciation, amortisation and impairment charges	**93 337**	71 305	**10 803**	13 685
Depreciation and amortisation	**(13 747)**	(18 356)	**(15 212)**	(13 329)
Finance costs	**(5)**	(7)	**(6 282)**	(5 954)
Finance income	**891**	1 566	**3 914**	3 696
Net profit before taxation	**80 476**	54 508	**(6 777)**	(1 902)
Taxation	**(17 621)**	(12 240)	**940**	888
Net profit after taxation	**62 855**	42 268	**(5 837)**	(1 014)
Other comprehensive income	**27 645**	21 985	**(326)**	(4 573)
Total comprehensive income	**90 500**	64 253	**(6 163)**	(5 587)
Effective percentage held	**17.25**	17.25	**55.83**	55.83
Share of total comprehensive income	**15 611**	11 084	**(3 441)**	(3 119)

** *Summarised information has been restated to reflect adjustments made by the Group when applying the equity method as required by IFRS 12. Previously the information was presented before any adjustments in accordance with IAS 28.*

6. INVESTMENTS IN AND LOANS TO ASSOCIATES AND JOINT VENTURES (continued)

The Group's interests in its other associates, which are unlisted, are as follows:

Associate	Country of incorporation	Non-current assets R'000	Current assets R'000	Non-current liabilities R'000
2014				
Forensic Intelligence Data Solutions Proprietary Limited	South Africa	**1 932**	**1 911**	**—**
2013				
Dual Data Proprietary Limited	South Africa	—	3	—

There are no contingent liabilities relating to the Group's interest in associates.

For details on related party transactions, refer to note 28.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

Current liabilities R'000	Revenues R'000	Loss R'000	Total comprehensive loss R'000	Effective percentage interest held	Net book value R'000
13 372	**3 260**	**(9 529)**	**(9 529)**	**25**	**—**
—	—	(4)	(4)	50	4

6. INVESTMENTS IN AND LOANS TO ASSOCIATES AND JOINT VENTURES (continued)

Set out below is the summarised financial information of the Group's significant joint ventures.

Joint venture	Blue Label Mexico S.A. de C.V.		2DFine Holdings Mauritius	
Principal activity	Distributor of terminals to vend e-tokens of value		Investment holding company	
Country of incorporation	Mexico		Mauritius	
	2014 R'000	2013** R'000	**2014 R'000**	2013** R'000
Statement of financial position				
Non-current assets	**268 512**	252 078	**102 171**	96 557
Current assets	**160 525**	130 600	**1**	1
Cash and cash equivalents	**79 353**	16 246	**1**	1
Other current assets	**81 172**	114 354	**—**	—
	429 037	382 678	**102 172**	96 558
Total equity	**359 853**	297 585	**(26 965)**	(13 536)
Non-current liabilities	**10 407**	11 542	**—**	—
Current liabilities	**58 777**	73 551	**129 137**	110 094
Trade and other payables	**58 487**	72 027	**456**	346
Other current liabilities	**290**	1 524	**128 681**	109 748
	429 037	382 678	**102 172**	96 558
Effective percentage held	**45.57**	45	**50**	50
Net assets	**359 853**	297 585	**(26 965)**	(13 536)
Share capital and share premium	**637 728**	459 107	*****	*
	(277 875)	(161 522)	**(26 965)**	(13 536)
Interest in joint venture	**(126 628)**	(72 685)	**(13 483)**	(6 768)
Goodwill	**190 994**	182 531	**—**	—
Capital funding	**254 142**	164 826	**—**	—
Balance at the end of the year	**318 508**	274 672	**(13 483)**	(6 768)

* *Less than R1 000.*

** *Summarised information has been restated to reflect adjustments made by the Group when applying the equity method as required by IFRS 12. Previously the information was presented before any adjustments in accordance with IAS 31.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

6. INVESTMENTS IN AND LOANS TO ASSOCIATES AND JOINT VENTURES (continued)

Joint venture	**Blue Label Mexico S.A. de C.V.**		**2DFine Holdings Mauritius**	
Principal activity	**Distributor of terminals to vend e-tokens of value**		**Investment holding company**	
Country of incorporation	**Mexico**		**Mauritius**	
	2014 R'000	2013** R'000	**2014 R'000**	2013** R'000
Statement of comprehensive income				
Revenue	**2 865 340**	1 742 863	**—**	—
Operating loss before depreciation, amortisation and impairment charges	**(78 915)**	(79 064)	**(685)**	(708)
Depreciation and amortisation	**(50 386)**	(36 323)	**—**	—
Finance costs	**(5 955)**	(951)	**(11 786)**	(8 566)
Finance income	**1 194**	261	**—**	—
Net profit before taxation	**(134 062)**	(116 077)	**(12 471)**	(9 274)
Taxation	**(430)**	(104)	**—**	—
Net profit after taxation	**(134 492)**	(116 181)	**(12 471)**	(9 274)
Other comprehensive income	**15 265**	61 620	**(959)**	(1 714)
Total comprehensive income	**(119 227)**	(54 561)	**(13 430)**	(10 988)
Effective percentage held	**45,57**	45	**50**	50
Share of total comprehensive income	**(53 942)#**	(23 713)#	**(6 715)**	(5 494)

*** Summarised information has been restated to reflect adjustments made by the Group when applying the equity method as required by IFRS 12. Previously the information was presented before any adjustments in accordance with IAS 31.*

 # During the year BLT increased its holding by 0.57% to 45.57% in BLM. In the prior year BLT increased its shareholding by 5% to 45% in BLM.

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 28.

6. INVESTMENTS IN AND LOANS TO ASSOCIATES AND JOINT VENTURES (continued)

The Group's interests in its other joint ventures, which are unlisted, are as follows:

Joint venture	Country of incorporation	Non-current assets R'000	Current assets R'000	Non-current liabilities R'000
2014				
Datacision Proprietary Limited	South Africa	**455**	**11 350**	**—**
2013				
Datacision Proprietary Limited	South Africa	122	6 374	—

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

Current liabilities R'000	Revenues R'000	Profit R'000	Total comprehensive income R'000	Effective percentage interest held	Net book value R'000
4 667	**22 961**	**3 516**	**3 516**	**50**	**1 494**
2 875	20 753	2 603	2 603	50	1 813

		2014 R'000	2013 R'000
7.	**LOANS RECEIVABLE**		
	Interest-free loans	**25 710**	21 285
	Interest-bearing loans receivable	**20 641**	16 146
		46 351	37 431
	Less: Amounts included in current portion of loans receivable	**(27 850)**	(36 431)
		18 501	1 000
	Interest-free loans are unsecured and have no fixed terms of repayment. Interest-bearing loans bear interest at a range of between prime and prime + 2% and are unsecured. Loans amounting to R26.1 million have no fixed repayment terms; the remaining balance is repayable between one and five years.		
	The loans receivable are neither past due nor impaired with a low risk of default. Of this amount, R24 million (2013: R20 million) relates to loans receivable from related parties, which are interest-free (refer to note 28).		
8.	**STARTER PACK ASSETS**		
	Balance at the beginning of the year	**3 688**	7 692
	Additions	**1 513**	8 388
	Impairments*	**(1 520)**	(4 007)
	Disposals*	**(364)**	(8 385)
	At the end of the year	**3 317**	3 688
	Less: Amounts included in current portion of starter pack assets	**(1 010)**	(1 115)
		2 307	2 573

* *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 2014

	2014 R'000	2013 R'000
9. TRADE AND OTHER RECEIVABLES		
Trade receivables	**2 152 107**	1 427 759
Less: Provision for impairment	**(15 665)**	(7 639)
	2 136 442	1 420 120
Sundry debtors	**22 456**	14 609
Prepayments	**12 544**	9 197
VAT	**55 255**	81 003
Receivables from related parties (refer to note 28)	**6 880**	14 436
	2 233 577	1 539 365
Less: Amounts included in current portion of trade and other receivables	**(2 181 973)**	(1 539 365)
	51 604	—

The Group's exposure to credit and currency risk relating to trade and other receivables is disclosed in note 3.

9. TRADE AND OTHER RECEIVABLES (continued)

The ageing of trade receivables at the reporting date is as follows:

	Gross R'000	Impairment R'000	Net R'000
31 May 2014			
Fully performing	**2 127 087**	**—**	**2 127 087**
Past due by one to 30 days	**18 045**	**166**	**17 879**
Past due by 31 to 60 days	**4 349**	**601**	**3 748**
Past due by 61 to 90 days	**3 010**	**406**	**2 604**
Past due by more than 90 days	**13 961**	**8 030**	**5 931**
	2 166 452	**9 203**	**2 157 249**
Portfolio impairment		**6 462**	**(6 462)**
	2 166 452	**15 665**	**2 150 787**
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

Receivables in respect of starter packs are included in fully performing debtors above.

Trade receivables are discounted at a discount rate of 9% per annum (2013: 8% per annum) based on average debtors' days outstanding. The effect of discounting of the trade receivables balance which amounts to R7.465 million (2013: R3.702 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.

Sundry debtors are considered to be fully performing.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

	2014 R'000	2013 R'000
9. TRADE AND OTHER RECEIVABLES (continued)		
Provision for impairment of receivables		
Balance at the beginning of the year	**7 639**	12 025
Allowances made during the year	**5 097**	3 796
Acquisition/(disposal) of subsidiaries	**6 462**	(2 335)
Amounts utilised and reversal of unutilised amounts	**(3 533)**	(5 847)
At 31 May	**15 665**	7 639

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 R2.011 billion (2013: R1.352 billion) in favour of Investec Bank Limited as security for facilities referred to in note 3.

		Capital allowances R'000	Fair value gains R'000
10.	**DEFERRED TAXATION**		
	At 31 May 2012	1 183	15 390
	Charge/(credited) to statement of comprehensive income	(1 697)	(3 556)
	Acquisition of subsidiary	—	2 734
	Disposal of subsidiary	429	(1 260)
	At 31 May 2013	**(85)**	**13 308**
	Charge/(credited) to statement of comprehensive income	**511**	**(3 907)**
	Acquisition of subsidiary	**—**	**28 329**
	At 31 May 2014	**426**	**37 730**

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

Provisions R'000	Tax losses R'000	Prepayments R'000	Unrealised foreign exchange differences R'000	Other R'000	Total R'000
(4 509)	(9 836)	2 526	3 264	1 797	9 815
(12 975)	(1 466)	(369)	2 792	(1 400)	(18 671)
—	—	—	—	—	2 734
418	355	(355)	—	(55)	(468)
(17 066)	**(10 947)**	**1 802**	**6 056**	**342**	**(6 590)**
8 394	**(9 110)**	**528**	**1 479**	**(449)**	**(2 554)**
(2 327)	**—**	**—**	**—**	**—**	**26 002**
(10 999)	**(20 057)**	**2 330**	**7 535**	**(107)**	**16 858**

		2014 R'000	2013 R'000
10.	**DEFERRED TAXATION (continued)**		
	Deferred tax asset comprises:		
	Capital allowances	**(344)**	(876)
	Provisions	**(10 999)**	(17 066)
	Tax losses	**(20 057)**	(10 947)
	Other	**(2 525)**	(2 351)
	Total deferred tax asset	**(33 925)**	(31 240)
	Deferred tax liability comprises:		
	Capital allowances	**770**	791
	Fair value gains	**37 730**	13 308
	Prepayments	**2 330**	1 802
	Unrealised foreign exchange differences	**7 535**	6 056
	Other	**2 418**	2 693
	Total deferred tax liability	**50 783**	24 650
	Net deferred tax liability/(asset)	**16 858**	(6 590)
	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	**96**	(6 159)
	Deferred tax assets to be recovered within 12 months	**(24 748)**	(12 373)
	Net deferred tax asset	**(24 652)**	(18 532)
	Deferred tax liabilities		
	Deferred tax liabilities to be recovered after more than 12 months	**28 758**	10 542
	Deferred tax liabilities to be recovered within 12 months	**12 752**	1 400
	Net deferred tax liability	**41 510**	11 942
	Net deferred tax liability/(asset)	**16 858**	(6 590)

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 R37.1 million (2013: R33.2 million) in respect of losses amounting to R132.6 million (2013: R118.5 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 2014

		2014 R'000	2013 R'000
11.	**INVENTORIES**		
	Finished goods – airtime and related products	**1 306 206**	1 858 511
		1 306 206	1 858 511

Inventory impairments of R0.4 million (2013: R1.5 million) have been charged to the statement of comprehensive income and are included in other expenses.

Inventories with a cost of R18.1 billion (2013: R17.7 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 (2013: R900 million).

		2014 R'000	2013 R'000
12.	**CASH AND CASH EQUIVALENTS**		
	Cash at bank	**1 184 064**	941 216
	Cash on hand	**67**	66
		1 184 131	941 282

Guarantees to the value of R104 million (2013: R660 million) are issued by the Group's bankers in favour of suppliers, on behalf of the Group.

Included in this balance is restricted cash of R9.8 million (2013: R5.1 million).

	2014 Number of shares	2013 Number of shares	2014 R'000	2013 R'000
13. 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	**661 635 258**	661 501 917	*****	*
Shares acquired during the year	**(1 368 822)**	(2 567 171)	*****	*
Shares vested during the year	**3 629 922**	2 700 512	*****	*
Balance at the end of the year	**663 896 358**	661 635 258	*****	*

** Less than R1 000.*

All issued shares are fully paid up.

The total number of shares in issue, including shares held as treasury shares as at 31 May 2014, is 674 509 042 (2013: 674 509 042).

The Company acquired 1 368 822 (2013: 2 567 171) shares at an average price of R8.12 (2013: R6.71) on the JSE in order to grant forfeitable shares to employees and directors.

The amount paid to acquire these shares was R11 120 071 (2013: R17 222 717) and has been deducted from shareholders' equity.

These shares are held as "treasury shares".

See note 31 for details on the forfeitable shares.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

	2014 R'000	2013 R'000
14. TRADE AND OTHER PAYABLES		
Trade payables	**2 702 789**	2 221 412
Accruals	**69 103**	109 524
Employee benefits	**32 269**	29 304
Sundry creditors	**14 299**	13 756
Deferred revenue	**16 343**	9 905
Contingent consideration	**22 607**	3 030
VAT	**5 850**	5 455
Payables to related parties (refer to note 28)	**5 816**	836
	2 869 076	2 393 222
Less: Amounts included in current portion of trade and other payables	**(2 818 898)**	(2 393 222)
	50 178	—

Trade payables are discounted at a discount rate of 9% per annum (2013: 8% per annum) based on average creditors' days outstanding.

	2014 R'000	2013 R'000
15. PROVISIONS		
Unredeemed electricity provision		
Opening balance	**19 029**	6 260
Additions	**617 853**	535 279
Used during the year	**(619 378)**	(522 510)
	17 504	19 029
Less: Amounts included in current portion of provisions	**(17 504)**	(19 029)
	—	—

The unredeemed electricity 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.

	2014 R'000	2013 R'000
Onerous contracts		
Opening balance	**—**	—
Acquisition of subsidiary	**7 406**	—
Additions	**—**	—
Used during the year	**(421)**	—
	6 985	—
Less: Amounts included in current portion of provisions	**(6 273)**	—
	712	—

The onerous contracts relate to line subscriptions for which the Group is contracted to incur unavoidable charges that are expected to exceed the related economic benefits to be received. A provision is raised due to the uncertainty associated with the amount of net outflow for each subscription.

The provision will be used over the period of each subscription, ranging from one to 24 months.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

		2014 R'000	2013 R'000
16.	**BORROWINGS**		
	Interest-bearing borrowings	**2 653**	1 980
	Non-interest-bearing borrowings	**12 437**	12 017
		15 090	13 997
	Less: Amounts included in current portion of borrowings	**(15 090)**	(13 997)
		—	—
	The Group did not default on any loans or breach any terms of the underlying agreements during the period. Borrowings are unsecured and have no fixed terms of repayment. Interest-bearing borrowings bear interest at prime + 2%.		
17.	**REVENUE**		
	Prepaid airtime	**18 212 159**	17 836 001
	Starter packs	**582 618**	601 110
	Services	**276 018**	282 312
	Electricity commission	**153 460**	113 434
	Other revenue*	**177 411**	151 353
		19 401 666	18 984 210
	* *Other revenue primarily comprises mobile handset sales, meter installations, device rentals and ticket sales.*		
18.	**EMPLOYEE COMPENSATION AND BENEFIT EXPENSE**		
	Salaries and wages	**286 212**	257 447
	Bonuses	**34 563**	58 455
	Equity compensation benefit	**11 069**	16 180
	Other	**698**	819
		332 542	332 901

Average number of employees for the year was 1 186 (2013: 1 157).

		2014 R'000	2013 R'000
19.	**OPERATING PROFIT**		
	The following items have been charged/(credited) in arriving at operating profit:		
	Acquisition-related costs	**2 901**	98
	Advertising and promotional expenses	**19 173**	11 079
	Amortisation of intangible assets	**95 004**	78 930
	Audit fees – services as auditors	**14 367**	11 816
	Audit fees – other	**1 578**	942
	Bank charges	**7 670**	5 344
	Communication costs	**5 143**	6 290
	Consulting fees	**25 230**	17 533
	Courier and postage	**4 103**	3 311
	Depreciation	**36 976**	36 911
	Foreign exchange profit*	**(16 458)**	(8 101)
	Impairment of loans	**1 761**	8 400
	Impairment of trade receivables	**4 164**	8 381
	Impairment of trade receivables – provision	**1 564**	(4 386)
	Impairment of intangible assets	**1 073**	—
	Impairment of property, plant and equipment	**129**	3 408
	Impairment of inventory	**411**	1 453
	Insurance	**7 081**	6 491
	IT infrastructure costs and computer-related costs	**22 756**	19 480
	Legal fees	**25 311**	34 595
	Local travel	**6 157**	6 459
	Profit on disposal of subsidiaries	**—**	(120)
	Profit on disposal of joint ventures	**—**	(2 273)
	Management fees paid	**5 324**	2 208
	Management fees received*	**(879)**	(923)
	Motor vehicle expenses	**9 500**	8 886
	Operating lease rentals – equipment	**2 367**	3 568
	Operating lease rentals – premises	**31 093**	29 948
	Overseas travel	**3 194**	2 891
	Printing and stationery	**1 826**	1 758
	Profit on disposal of property, plant and equipment*	**(287)**	(789)
	Repairs and maintenance	**11 273**	10 897

* *Included in other income on the Group statement of comprehensive income.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

		2014 R'000	2013 R'000
20.	**FINANCE (COSTS)/INCOME**		
	Interest paid		
	– Bank	**71**	77
	– Loans	**21 465**	23 196
	– Other	**1 457**	494
	– Discounting of payables	**143 883**	143 329
		166 876	167 096
	Interest received		
	– Bank	**(24 153)**	(34 361)
	– Loans	**(1 449)**	(1 469)
	– Other	**(13 205)**	(9 659)
	– Discounting of receivables	**(117 443)**	(127 771)
		(156 250)	(173 260)
	Net finance cost /(income)	**10 626**	(6 164)
21.	**TAXATION**		
	Current tax	**208 996**	215 075
	Current year	**209 055**	214 899
	Prior year adjustment	**(59)**	176
	Deferred tax	**(2 554)**	(18 671)
	Current year	**(2 278)**	(18 663)
	Prior year adjustment	**(276)**	(8)
		206 442	196 404
	Profit before tax	**655 357**	604 509
	Tax at 28%	**183 500**	169 263
	Income not subject to tax	**(8 852)**	(4 524)
	Expenses not deductible for tax purposes	**7 053**	7 473
	Capital gains tax	**(840)**	55
	Utilisation of previously unrecognised tax losses	**(71)**	(1 199)
	Tax effect of assessed losses not recognised	**9 695**	11 841
	Share of losses from associates and joint ventures	**15 924**	13 251
	Prior year adjustment	**(335)**	168
	Effect of different tax dispensations	**368**	76
	Tax charge	**206 442**	196 404

		2014	2013
22.	**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 attributable to equity holders of the Company (R'000)	**450 230**	424 841
	Weighted average number of ordinary shares in issue (thousands)	**663 298**	661 578
	Basic earnings per share (cents per share)	**67.88**	64.22

(b) Headline

Headline earnings are calculated applying the principles contained in SAICA circular 2/2013.

The weighted average number of ordinary shares used is the same as that used for the basic earnings per share.

	2014			
	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	**655 357**	**(206 442)**	**1 315**	**450 230**
Profit on disposal of property, plant and equipment	**(287)**	**80**	**—**	**(207)**
Impairment of property, plant and equipment	**129**	**(36)**	**—**	**93**
Impairment of intangible assets	**1 073**	**(300)**	**—**	**773**
Headline earnings				**450 889**
Weighted average number of ordinary shares in issue (thousands)				**663 298**
Headline earnings per share (cents per share)				**67.98**

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

22. EARNINGS PER SHARE (continued)

(b) Headline (continued)

	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

22. 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 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.

	2014 R'000	2013 R'000
Basic earnings (R'000)	**450 230**	424 841
Dilutive instrument (R'000)	**(695)**	—
Dilutive earnings (R'000)	**449 535**	424 841
Weighted average number of ordinary shares in issue (thousands)	**663 298**	661 578
Adjusted for forfeitable shares (thousands)	**9 014**	10 727
Weighted average number of ordinary shares for dilutive earnings (thousands)	**672 312**	672 305
Dilutive basic earnings per share (cents per share)	**66.86**	63.19
Headline earnings (R'000)	**450 889**	424 506
Dilutive instrument (R'000)	**(695)**	—
Dilutive headline earnings (R'000)	**450 194**	424 506
Weighted average number of ordinary shares for dilutive headline earnings (thousands)	**672 312**	672 305
Dilutive headline earnings per share (cents)	**66.96**	63.14

(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) – *Business Combinations.*

Reconciliation between net profit for the period and core net profit for the period:

	2014 R'000	2013 R'000
Net profit for the period (R'000)	**450 230**	424 841
Amortisation on intangibles raised through business combinations net of tax and non-controlling interest (R'000)	**10 372**	12 675
Core net profit for the period (R'000)	**460 602**	437 516
Weighted average number of ordinary shares in issue (thousands)	**663 298**	661 578
Core earnings per share (cents per share)	**69.44**	66.13

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

		2014 R'000	2013 R'000
23.	**CASH GENERATED/(UTILISED) BY OPERATIONS**		
	Reconciliation of operating profit to cash generated by operating activities:		
	Operating profit	**722 856**	645 671
	Adjustments for:		
	Depreciation of property, plant and equipment	**36 976**	36 911
	Amortisation of intangible assets	**95 004**	78 930
	Impairment of property, plant and equipment	**129**	3 408
	Impairment of intangible assets	**1 073**	—
	Discounting of receivables recognised in revenue	**117 443**	127 771
	Discounting of payables recognised in changes in inventories of finished goods	**(143 883)**	(143 329)
	Impairment of loans	**1 761**	8 400
	Profit on disposal of property, plant and equipment	**(287)**	(789)
	Net profit on disposal of subsidiaries	**—**	(120)
	Net profit on disposal of joint ventures	**—**	(2 273)
	Equity compensation benefit expense	**11 069**	16 180
	Net unrealised forex profit	**(16 458)**	(8 037)
	Changes in working capital (excluding the effects of acquisitions and disposals):		
	Decrease/(increase) in inventories	**552 305**	(1 319 938)
	Increase in trade and other receivables	**(669 602)**	(155 979)
	Increase in trade and other payables	**423 461**	448 236
	(Increase)/decrease in loans receivable	**(3 209)**	3 570
	Decrease in starter pack assets	**370**	4 004
		1 129 008	(257 384)
24.	**TAXATION PAID**		
	Balance outstanding at the beginning of the year	**36 071**	13 938
	Taxation charge	**208 996**	215 075
	Disposal of subsidiaries	**—**	(45)
	Acquisition of subsidiaries	**3 726**	1 437
	Translation differences	**68**	173
	Balance outstanding at the end of the year	**(25 323)**	(36 071)
		223 538	194 507

25. DISPOSAL OF SUBSIDIARIES

31 May 2013

	Content Connect Africa Proprietary Limited R'000	Multiserv Proprietary Limited R'000	Total R'000
Date disposed	1 September 2012	1 January 2013	
% disposed	100	100	
The carrying/fair value of the net assets disposed of:			
Cash and cash equivalents	486	3 744	4 230
Property, plant and equipment	117	216	333
Intangible assets	2 970	4 618	7 588
Inventories	—	1 643	1 643
Receivables	6 503	1 112	7 615
Loans receivable	—	1 839	1 839
Deferred tax	—	(468)	(468)
Borrowings	(3 130)	(6 068)	(9 198)
Current tax liabilities	(45)	—	(45)
Payables	(7 620)	(4 291)	(11 911)
Carrying/fair value of subsidiary disposed of:	(719)	2 345	1 626
Goodwill	4 746	5 846	10 592
Carrying/fair value of net assets disposed of:	4 027	8 191	12 218
(Loss)/profit on disposal of subsidiary	(2 027)	2 147	120
Total proceeds on disposal	2 000	10 338	12 338
Less: Proceeds to be settled	—	(7 853)	(7 853)
Total proceeds on disposal received in cash	2 000	2 485	4 485
Less: Cash and cash equivalents in subsidiary	(486)	(3 744)	(4 230)
Cash inflow on disposal	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 2014

26. BUSINESS COMBINATIONS

26.1 Acquisition of subsidiary

	Simigenix Proprietary Limited R'000	Retail Mobile Credit Specialists Proprietary Limited R'000
	Holder of ECS/ECNS licence	Provider of cellular products and services via virtual and physical mediums
Date acquired	23 August 2013	7 April 2014
% acquired	100	100
At 31 May 2014		
Assets	468	74 386
Liabilities	468	35 789
Revenue since acquisition	—	74 492
Profit/(loss) after tax since acquisition	*	3 373

* *Less than R1 000.*

Had the acquisitions of subsidiaries taken place at the beginning of the financial year, they would have contributed R473.3 million to revenue and R29.4 million to net profit after tax. The actual contribution to revenue and net profit after tax for the year was R74.5 million and R3.4 million respectively.

The fair value of the net assets approximated the assets acquired on acquisition date.

26. BUSINESS COMBINATIONS (continued)

26.1 Acquisition of subsidiary (continued)

	Simigenix Proprietary Limited R'000	Retail Mobile Credit Specialists Proprietary Limited R'000	Total R'000
Cash and cash equivalents	*	25 444	25 444
Property, plant and equipment	—	727	727
Intangible assets**	—	104 177	104 177
Loans receivable	—	18 632	18 632
Receivables	—	30 734	30 734
Provision for impairment of receivables	—	(6 462)	(6 462)
Current tax liabilities	—	(3 726)	(3 726)
Deferred tax**	—	(26 002)	(26 002)
Payables	—	(35 455)	(35 455)
Fair value of subsidiaries acquired	*	108 069	108 069
Non-controlling interests	—	—	—
Fair value of net assets acquired	*	108 069	108 069
Goodwill	—	205 749	205 749
Total purchase consideration	*	313 818	313 818
Contingent consideration	—	(15 132)	(15 132)
Settled in cash	*	298 686	298 686
Less: Cash and cash equivalents in subsidiary	*	(25 444)	(25 444)
Cash flow on acquisition	—	273 242	273 242

* *Less than R1 000.*

** *Included in additions in note 5 is R101.2 million of distribution agreements which relate to the purchase price allocations performed for Retail Mobile Credit Specialists Proprietary Limited in terms of IFRS 3(R)* – Business Combinations. *Deferred tax to the value of R28.3 million was raised on recognition of this intangible asset.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

26. BUSINESS COMBINATIONS (continued)

26.1 Acquisition of subsidiary (continued)

Retail Mobile Credit Specialists Proprietary Limited (RMCS) was purchased with the objective of affording the Group access to new channels for the distribution of both RMCS and Group products and services.

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 RMCS, this goodwill is underpinned by a number of elements, which individually cannot be quantified. Most significant among these is the opportunity that the distribution network affords the Group.

The contingent consideration arrangement requires The Prepaid Company Proprietary Limited to pay in cash the former owners of RMCS, two additional amounts of R15.4 million and R16 million if certain profit warranties are achieved. The first amount of R15.4 million was based on the profits of RMCS for the six-month period ended 28 February 2014. These profit targets were achieved and the R15.4 million was paid on 2 June 2014, post year-end. The second amount of R16 million is based on the profits of RMCS for the year ending 31 August 2014.

The potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between R15.4 million and R31.4 million.

The fair value of the contingent consideration arrangement of R15.1 million was estimated by applying the income approach. The fair value estimates are based on a discount rate of 9%. For the first and second profit targets management has assumed a probability of 100% and 0% respectively. Refer to note 14.

26. BUSINESS COMBINATIONS (continued)

26.1 Acquisition of subsidiary (continued)

	Blue Label Engage Proprietary Limited R'000	Panacea Mobile Proprietary Limited R'000	TicketPros Proprietary Limited R'000
	Facilitator of loyalty programmes	SMS aggregator	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
(Loss)/profit 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 2014

26. BUSINESS COMBINATIONS (continued)

26.1 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
Contingent 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 these intangible assets.*

26. BUSINESS COMBINATIONS (continued)

26.1 Acquisition of subsidiary (continued)

TicketPros Proprietary Limited was acquired with the objective of acquiring a platform in order for 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 of 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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

26. BUSINESS COMBINATIONS (continued)

26.1 Acquisition of subsidiary (continued)

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 Group companies.

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. Refer to note 14.

26.2 Acquisition of non-controlling interest's shareholding

	Panacea Proprietary Limited R'000	TicketPros Proprietary Limited R'000	Africa Prepaid Services Proprietary Limited R'000
Initial acquisition % acquired	**51**	**60**	**72**
Further acquisition			
Date acquired	**1 June 2013**	**1 June 2013**	**3 January 2014**
% acquired	**49**	**40**	**18**
At 31 May 2014			
Assets	**28 990**	**21 869**	**720**
Liabilities	**21 119**	**20 155**	**109 829**
Revenue	**51 832**	**8 112**	**—**
Profit/(loss) after tax since further acquisition	**1 394**	**(3 392)**	**(6 688)**

The fair value of the net assets approximated the assets acquired on acquisition date.

26. BUSINESS COMBINATIONS (continued)

26.2 Acquisition of non-controlling interest's shareholding (continued)

	Panacea Proprietary Limited R'000	TicketPros Proprietary Limited R'000	Africa Prepaid Services Proprietary Limited R'000	Total R'000
Non-controlling interests	4 752	3 249	(11 761)	(3 760)
Fair value of net assets acquired	4 752	3 249	(11 761)	(3 760)
Amounts transferred to transaction with non-controlling interest reserve	12 893	1 451	11 761	26 105
Total purchase consideration	17 645	4 700	*	22 345
Contingent consideration	(6 155)	—	—	(6 155)
Settled in cash	11 490	4 700	*	16 190
Cash flow on acquisition	11 490	4 700	*	16 190

** Less than R1 000.*

On 1 June 2014, Blue Label Telecoms Limited acquired 24.5% of Panacea Proprietary Limited (Panacea) from both Stefano Sessa and Donald Duke Jackson respectively.

The contingent consideration arrangement requires BLT to pay in cash the former owners of Panacea an additional two amounts of R1.5 million and R6.6 million based on gross profits and net profits after tax arising from a certain customer contract. The R1.5 million payment is payable in 10 biannual tranches, capped at R150 000 each. The first of these payments was made in March 2014. The R6.6 million payment is payable in five annual tranches with the first payment being due in August 2014.

The potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between R150 000 and R8.1 million.

The fair value of the contingent consideration arrangement of R6.2 million was estimated by applying the income approach. The fair value estimates are based on a discount rate of 9%. Management has assumed a probability of 100% for all profit targets. Refer to note 14.

On 31 January 2014, BLT acquired 18% of the issued share capital of Africa Prepaid Services Proprietary Limited from Imphandze Holdings Proprietary Limited for R270.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

26. BUSINESS COMBINATIONS (continued)

26.2 Acquisition of non-controlling interest's shareholding (continued)

	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

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.

26. BUSINESS COMBINATIONS (continued)

26.3 Post-balance sheet acquisition of subsidiary

Subsequent to year-end, Blue Label Telecoms acquired 75% shareholding in Viamedia Proprietary Limited (Viamedia).

The provisional fair value of the net assets acquired on acquisition date are:

	Via Media Proprietary Limited R'000
Cash and cash equivalents	**1 823**
Property, plant and equipment	**1 642**
Intangible assets**	**134 812**
Loans receivable	**830**
Receivables	**28 695**
Current tax liabilities	**(8 502)**
Deferred tax**	**(37 604)**
Payables	**(16 605)**
Fair value of subsidiaries acquired	**105 091**
Non-controlling interests	**(26 272)**
Fair value of net assets acquired	**78 819**
Goodwill	**150 356**
Total purchase consideration	**229 175**
Contingent consideration	**(84 799)**
Settled in cash	**144 376**
Less: Cash and cash equivalents in subsidiary	**(1 823)**
Cash flow on acquisition	**142 553**

** *Included in intangible assets is R9.5 million in respect of customer relationships and R125 million in respect of a business intelligence database which relate to the provisional purchase price allocations performed for Viamedia Proprietary Limited in terms of IFRS 3(R)* – Business Combinations. *Deferred tax to the value of R37.7 million was raised on recognition of these intangible assets.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

26. BUSINESS COMBINATIONS (continued)

26.3 Post-balance sheet acquisition of subsidiary (continued)

Viamedia Proprietary Limited was purchased with the objective of affording the Group access to new channels for the distribution of both Viamedia and Group products and services.

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 Viamedia, this goodwill is underpinned by a number of elements, which individually cannot be quantified. Most significant among these is the opportunity that the distribution network affords the Group.

The contingent consideration arrangement requires BLT to pay in cash the former owner of Viamedia three additional amounts of R24.06 million, R24.06 million and R55 million if warranted profits are achieved by Via Media during a 36 month warranty period. If the warranted profits are not achieved, the above payments will be allotted on a pro rata basis. If, however, the warranted profits fall below an agreed threshold BLT will have the right to put its shares to the former owner for a refund of all payments made plus interest thereon. An additional R112.5 million or part thereof will be payable if stretched targets are achieved. These targets are over and above the warranted accumulated profit over the warranty period.

The potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between R0 and R215.6 million.

The fair value of the contingent consideration arrangement of R84.8 million was estimated by applying the income approach. The fair value estimates are based on a discount rate of 9%. For the first, second and third profit targets management has assumed a probability of 100%. For the fourth profit target management has assumed a probability of 0%.

27. NON-CONTROLLING INTERESTS

Set out below is the summarised financial information relating to each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations with other companies in the Group.

Subsidiary	**Transaction junction**	
Principal place of business	**RSA**	
Segment	**SA distribution**	
	2014	2013
NCI %	**40**	40
	R'000	R'000
Summarised balance sheet as at 31 May		
Non-current assets	**17 496**	13 494
Current assets	**25 421**	16 045
Total assets	**42 917**	29 539
Capital and reserves	**16 598**	(1 212)
Non-current liabilities	**1 263**	2 261
Current liabilities	**25 056**	28 491
Total equity and liabilities	**42 917**	29 540
Accumulated NCI	**6 639**	(485)
Summarised statement of comprehensive income for the period ended 31 May		
Revenue	**41 524**	30 618
Total comprehensive income/(loss) for the year	**17 810**	4 837
Comprehensive income/(loss) allocated to NCI	**7 124**	1 935
Summarised cash flows for the period ended 31 May		
Cash flows from operating activities	**15 501**	11 476
Cash flows from investing activities	**(2 160)**	(1 879)
Cash flows from financing activities	**(5 276)**	(2 420)
Net increase/(decrease) in cash and cash equivalents	**8 065**	7 177
Dividends paid to NCI	**—**	—

* *The APS group consists of African Prepaid Services Proprietary Limited and African Prepaid Services Nigeria Limited (refer to note 33).*

** *In the current year, BLT acquired shares in APS SA, increasing its shareholding to 90% (2013: 72%). This was the main factor in reducing the effective non-controlling interest of the APS group in the current year to 24% (2013: 33%).*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

APS Group* RSA and Nigeria International distribution		Blue Label Data Solutions RSA Solutions	
2014 Effective 24 R'000**	2013 Effective 33 R'000	**2014 19 R'000**	2013 19 R'000
—	—	**3 166**	3 919
720	1 317	**30 038**	23 993
720	1 317	**33 204**	27 912
(109 108)	(75 089)	**23 973**	12 088
26 222	24 502	**856**	714
83 606	51 904	**8 375**	15 110
720	1 317	**33 204**	27 912
(26 000)	(24 862)	**4 555**	2 297
—	—	**92 111**	66 870
(34 019)	(40 819)	**21 385**	19 495
(12 125)	(22 609)	**4 063**	3 704
(31 341)	(39 092)	**13 509**	18 301
—	—	**(603)**	(1 490)
31 321	38 048	**(9 350)**	(15 023)
(20)	(1 044)	**3 556**	1 788
—	—	**1 805**	—

28. RELATED PARTY TRANSACTIONS

For details of subsidiaries, associates and joint ventures, refer to note 33. 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, Wireless Business Solutions Proprietary Limited, iBurst Proprietary Limited, Parkrun Southern Africa Proprietary Limited, Bordelo Properties Proprietary Limited, Blu's Brothers Proprietary Limited, Stax Technologies 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 29.

The following transactions were carried out with related parties and all relate to continued operations:

	2014 R'000	2013 R'000
Sales to related parties		
BSC Technologies Proprietary Limited	**443**	613
Bela Phone Company Proprietary Limited	**—**	59
Blue Label Mexico S.A. de C.V.	**5 053**	5 255
Datacision Proprietary Limited	**112**	—
iBurst Proprietary Limited	**732**	815
Smart Voucher Limited trading as Ukash	**24**	32
Stax Technologies Proprietary Limited	**49**	—
Stylco Proprietary Limited	**2 907**	11 094
ZOK Cellular Proprietary Limited	**3 448**	4 090
Sales to related parties are negotiated on a cost-plus basis with terms that would be available to third parties.		

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

		2014 R'000	2013 R'000
28.	**RELATED PARTY TRANSACTIONS (continued)**		
	Purchases from related parties		
	Bela Phone Company Proprietary Limited	**—**	245
	Black Ginger 59 Proprietary Limited	**12 498**	10 895
	Blu's Brothers Proprietary Limited	**245**	—
	BSC Technologies Proprietary Limited	**211**	8 833
	PLL Investments Proprietary Limited	**—**	11
	Smart Voucher Limited trading as Ukash	**28**	1 034
	Stax Technologies Proprietary Limited	**62**	—
	Stylco Proprietary Limited	**3 935**	3 692
	Wildekrans Wine Estate Proprietary Limited	**5**	16
	Wireless Business Solutions Proprietary Limited	**16 593**	—
	ZOK Cellular Proprietary Limited	**62 947**	52 398
	Purchases of goods and services from related parties are negotiated on a cost-plus basis.		
	Interest received from related parties		
	2DFine Holdings Mauritius (refer to note 6)	**11 795**	8 575
	Blue Label Mexico S.A. de C.V (refer to note 6)	**1 017**	576
	Interest rates are per contractual agreement.		
	Management fees received from related parties		
	Blue Label Mexico S.A. de C.V.	**250**	520
	Datacision Proprietary Limited	**387**	252
	Forensic Intelligence Data Solutions Proprietary Limited	**270**	—
	Management fees received are per contractual agreement based on the fair value of services provided.		
	Management fees paid to related parties		
	BSC Technologies Proprietary Limited	**—**	122
	Management fees paid are per contractual agreement based on the fair value of services received.		

	2014 R'000	2013 R'000
28. RELATED PARTY TRANSACTIONS (continued)		
Rent paid to related parties		
Ellerine Bros. Proprietary Limited	**6 222**	5 631
Dataforce Trading 240 Proprietary Limited	**2 776**	2 560
Moneyline 311 Proprietary Limited	**6 222**	5 631
PLL Investments Proprietary Limited	**1 363**	2 143
Rentals paid to related parties are based on market-related rates.		
Contributions to related parties		
Parkrun Southern Africa Proprietary Limited	**538**	336
Purchases of property, plant and equipment from related parties		
Bordelo Properties Proprietary Limited	**3 123**	—
Loans to related parties		
2DFine Holdings Mauritius* (refer to note 6)	**127 373**	108 798
Blue Label Mexico S.A. de C.V. (refer to note 6)	**1 054**	—
Forensic Intelligence Data Solutions Proprietary Limited (refer to note 6)	**305**	—
Oxigen Services India Private Limited (refer to note 6)	**25 068**	18 643
ZOK Cellular Proprietary Limited (refer to note 7)	**24 091**	19 582

** B Levy and M Levy have signed personal sureties for the loan owed 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 2014

	2014 R'000	2013 R'000
28. RELATED PARTY TRANSACTIONS (continued)		
Amounts due from related parties included in trade receivables		
Black Ginger 59 Proprietary Limited	**1 456**	2 184
Blue Label Mexico S.A. de C.V.	**5 314**	9 423
BSC Technologies Proprietary Limited	**—**	20
Datacision Proprietary Limited	**46**	—
iBurst Proprietary Limited	**62**	1 820
PLL Investments Proprietary Limited	**—**	27
Stylco Proprietary Limited	**—**	960
ZOK Cellular Proprietary Limited	**2**	2
	6 880	14 436
Amounts due to related parties included in trade payables		
aloeCap Proprietary Limited	**44**	—
Black Ginger 59 Proprietary Limited	**131**	117
BSC Technologies Proprietary Limited	**—**	22
Datacision Proprietary Limited	**1 149**	—
KM Ellerine	**84**	42
NN Lazarus	**133**	40
LM Nestadt	**211**	199
PLL Investments Proprietary Limited	**2**	—
Smart Voucher Limited trading as Ukash	**360**	386
Unihold Group Proprietary Limited	**195**	—
SJ Vilakazi	**71**	30
Wireless Business Solutions Proprietary Limited	**3 436**	—
	5 816	836

29. DIRECTORS' AND PRESCRIBED OFFICER'S EMOLUMENTS

	Blue Label Services as directors of Blue Label Telecoms Limited R'000	Salary and allowances R'000	Bonuses and performance-related payments R'000	Other benefits R'000
For the year ended 31 May 2014				
Executive directors				
BM Levy	—	6 677	—	120
MS Levy	—	6 686	—	111
M Pamensky	—	5 637	—	94
DB Rivkind*	—	1 455	—	27
DA Suntup	—	1 530	—	58
	—	21 985	—	410
Non-executive directors				
LM Nestadt	843	—	—	—
K Ellerine	264	—	—	—
G Harlow	540	—	—	—
NN Lazarus	523	—	—	—
J Mthimunye	373	—	—	—
SJ Vilakazi	309	—	—	—
	2 852	—	—	—
Prescribed officer				
DA Suntup*	—	1 428	—	54
	—	1 428	—	54
	2 852	23 413	—	464

* *DB Rivkind resigned with effect from 14 November 2013. DA Suntup was appointed a director on 14 November 2013.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

Subtotal R'000	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
6 797	—	—	—	—	—	6 797	10 069
6 797	—	—	—	—	—	6 797	10 069
5 731	—	—	—	—	—	5 731	8 489
1 482	—	—	—	—	—	1 482	4 390
1 588	—	—	—	—	—	1 588	4 390
22 395	—	—	—	—	—	22 395	37 407
843	—	—	—	—	—	843	—
264	—	—	—	—	—	264	—
540	460	—	—	—	—	1 000	—
523	—	—	—	—	10 874	11 397	—
373	—	—	—	—	—	373	—
309	—	—	—	—	—	309	—
2 852	460	—	—	—	10 874	14 186	—
1 482	—	—	—	—	—	1 482	—
1 482	—	—	—	—	—	1 482	—
26 729	460	—	—	—	10 874	38 063	37 407

29. DIRECTORS' AND PRESCRIBED OFFICER'S EMOLUMENTS (continued)

	Blue Label Services as directors of Blue Label Telecoms Limited R'000	Salary and allowances R'000	Bonuses and performance-related payments R'000	Other benefits R'000
For the year ended 31 May 2013				
Executive directors				
BM Levy	—	6 303	7 695	109
MS Levy	—	6 312	7 695	100
M Pamensky	—	5 335	3 784	71
DB Rivkind	—	2 753	1 957	42
	—	20 703	21 131	322
Non-executive directors				
LM Nestadt	795	—	—	—
K Ellerine	194	—	—	—
G Harlow	473	—	—	—
NN Lazarus	421	—	—	—
J Mthimunye	385	—	—	—
SJ Vilakazi	231	—	—	—
	2 499	—	—	—
Prescribed officer				
DA Suntup	—	2 694	1 957	101
	—	2 694	1 957	101
	2 499	23 397	23 088	423

The fair value of forfeitable shares per director has been included.

No director has a notice period of more than one year.

No directors' 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 2014

Subtotal R'000	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	—	—	—	—	—	14 107	9 353
14 107	—	—	—	—	—	14 107	9 353
9 190	—	—	—	—	—	9 190	7 885
4 752	—	—	—	—	—	4 752	4 078
42 156	—	—	—	—	—	42 156	30 670
795	—	—	—	—	—	795	—
194	—	—	—	—	—	194	—
473	113	—	—	—	—	586	—
421	—	—	—	—	9 785	10 205	—
385	—	—	—	—	—	385	—
231	—	—	—	—	—	231	—
2 499	113	—	—	—	9 785	12 396	—
4 752	—	—	—	—	—	4 752	4 078
4 752	—	—	—	—	—	4 752	4 078
49 407	113	—	—	—	9 785	59 304	34 748

29. DIRECTORS' AND PRESCRIBED OFFICER'S EMOLUMENTS (continued)

	Issue date	Issue price	Vesting date
Forfeitable share scheme per director and prescribed officer			
For the year ended 31 May 2014			
BM Levy	1 September 2010	4.7	31 August 2013
BM Levy	1 October 2011	4.5	31 August 2014
BM Levy	3 September 2012	6.71	31 August 2015
BM Levy	2 September 2013	8.75	31 August 2016
MS Levy	1 September 2010	4.7	31 August 2013
MS Levy	1 October 2011	4.5	31 August 2014
MS Levy	3 September 2012	6.71	31 August 2015
MS Levy	2 September 2013	8.75	31 August 2016
MV Pamensky	1 September 2010	4.7	31 August 2013
MV Pamensky	1 October 2011	4.5	31 August 2014
MV Pamensky	3 September 2012	6.71	31 August 2015
MV Pamensky	2 September 2013	8.75	31 August 2016
DB Rivkind	1 September 2010	4.7	31 August 2013
DB Rivkind	1 October 2011	4.5	31 August 2014
DB Rivkind	3 September 2012	6.71	31 August 2015
DB Rivkind	2 September 2013	8.75	31 August 2016
DA Suntup	1 September 2010	4.7	31 August 2013
DA Suntup	1 October 2011	4.5	31 August 2014
DA Suntup	3 September 2012	6.71	31 August 2015
DA Suntup	2 September 2013	8.75	31 August 2016

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

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
450 486	—	(16 910)	(433 576)	—
470 507	—	—	—	470 507
334 474	—	—	—	334 474
—	271 883	—	—	271 883
1 255 467	271 883	(16 910)	(433 576)	1 076 864
450 486	—	(16 910)	(433 576)	—
470 507	—	—	—	470 507
334 474	—	—	—	334 474
—	271 883	—	—	271 883
1 255 467	271 883	(16 910)	(433 576)	1 076 864
379 787	—	(14 256)	(365 531)	—
396 667	—	—	—	396 667
281 982	—	—	—	281 982
—	229 214	—	—	229 214
1 058 436	229 214	(14 256)	(365 531)	907 863
196 409	—	(7 372)	(189 037)	—
205 139	—	—	—	205 139
145 829	—	—	—	145 829
—	118 540	—	—	118 540
547 377	118 540	(7 372)	(189 037)	469 508
196 409	—	(7 372)	(189 037)	—
205 139	—	—	—	205 139
145 829	—	—	—	145 829
—	118 540	—	—	118 540
547 377	118 540	(7 372)	(189 037)	469 508

29. DIRECTORS' AND PRESCRIBED OFFICER'S EMOLUMENTS (continued)

	Issue date	Issue price	Vesting date
Forfeitable share scheme per director and prescribed officer			
For the year ended 31 May 2013			
BM Levy	27 November 2009	5.85	1 September 2012
BM Levy	1 September 2010	4.7	31 August 2013
BM Levy	1 October 2011	4.5	31 August 2014
BM Levy	3 September 2012	6.71	31 August 2015
MS Levy	27 November 2009	5.85	1 September 2012
MS Levy	1 September 2010	4.7	31 August 2013
MS Levy	1 October 2011	4.5	31 August 2014
MS Levy	3 September 2012	6.71	31 August 2015
MV Pamensky	27 November 2009	5.85	1 September 2012
MV Pamensky	1 September 2010	4.7	31 August 2013
MV Pamensky	1 October 2011	4.5	31 August 2014
MV Pamensky	3 September 2012	6.71	31 August 2015
DB Rivkind	27 November 2009	5.85	1 September 2012
DB Rivkind	1 September 2010	4.7	31 August 2013
DB Rivkind	1 October 2011	4.5	31 August 2014
DB Rivkind	3 September 2012	6.71	31 August 2015
DA Suntup	27 November 2009	5.85	1 September 2012
DA Suntup	1 September 2010	4.7	31 August 2013
DA Suntup	1 October 2011	4.5	31 August 2014
DA Suntup	3 September 2012	6.71	31 August 2015

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

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
343 060	—	(39 006)	(304 054)	—
450 486	—	—	—	450 486
470 507	—	—	—	470 507
—	334 474	—	—	334 474
1 264 053	334 474	(39 006)	(304 054)	1 255 467
343 060	—	(39 006)	(304 054)	—
450 486	—	—	—	450 486
470 507	—	—	—	470 507
—	334 474	—	—	334 474
1 264 053	334 474	(39 006)	(304 054)	1 255 467
250 148	—	(28 442)	(221 706)	—
379 787	—	—	—	379 787
396 667	—	—	—	396 667
—	281 982	—	—	281 982
1 026 602	281 982	(28 442)	(221 706)	1 058 436
149 572	—	(17 007)	(132 565)	—
196 409	—	—	—	196 409
205 139	—	—	—	205 139
—	145 829	—	—	145 829
551 120	145 829	(17 007)	(132 565)	547 377
149 572	—	(17 007)	(132 565)	—
196 409	—	—	—	196 409
205 139	—	—	—	205 139
—	145 829	—	—	145 829
551 120	145 829	(17 007)	(132 565)	547 377

30. 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 Group.

Transactions between reportable segments are conducted on the same terms as other transactions of a similar nature.

The segment results for the year ended 31 May are as follows:

	Total		South African distribution	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
Total segment revenue	**25 354 475**	24 720 865	**24 837 763**	24 363 215
Inter-segment revenue	**(5 952 809)**	(5 736 655)	**(5 734 111)**	(5 651 135)
Revenue	**19 401 666**	18 984 210	**19 103 652**	18 712 080
Segment result				
Operating profit/(loss) before depreciation, amortisation and impairment charges	**787 993**	713 622	**821 310**	796 439
Depreciation and amortisation	**(62 175)**	(56 143)	**(48 401)**	(48 450)
Impairment of property, plant and equipment	**(128)**	(3 408)	**—**	(3 408)
Impairment of intangible assets	**(1 073)**	—	**—**	—
Impairment of loans	**(1 761)**	(8 400)	**(1 487)**	(1 150)
Finance costs	**(166 876)**	(167 096)	**(165 647)**	(166 592)
Finance income	**156 250**	173 260	**140 942**	162 459
Share of (losses)/profits from associates and joint ventures	**(56 873)**	(47 326)	**—**	543
Taxation	**(206 442)**	(196 404)	**(186 664)**	(175 675)
Net profit/(loss) for the year	**448 915**	408 105	**560 053**	564 166

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

At 31 May 2014, 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 Mexico, and payment solutions in India and United Kingdom. This segment also incorporates the Africa Prepaid Services group.
- 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.

International distribution		Mobile		Solutions		Corporate	
2014 R'000	2013 R'000	**2014 R'000**	2013 R'000	**2014 R'000**	2013 R'000	**2014 R'000**	2013 R'000
—	—	**350 783**	220 393	**165 929**	137 257	**—**	—
—	—	**(198 165)**	(68 973)	**(20 533)**	(16 547)	**—**	—
—	—	**152 618**	151 420	**145 396**	120 710	**—**	—
(13 961)	(31 000)	**34 273**	37 055	**29 257**	24 703	**(82 886)**	(113 575)
—	—	**(3 407)**	(3 275)	**(3 331)**	(3 336)	**(7 036)**	(1 082)
—	—	**—**	—	**(128)**	—	**—**	—
—	—	**(1 073)**	—	**—**	—	**—**	—
(274)	—	**—**	—	**—**	(889)	**—**	(6 361)
(392)	(30)	**(61)**	(69)	**(1)**	(5)	**(775)**	(400)
11 274	8 593	**1 478**	541	**485**	482	**2 071**	1 185
(56 249)	(49 036)	**—**	—	**(624)**	1 167	**—**	—
(3 700)	(5 997)	**(7 672)**	(9 157)	**(9 049)**	(5 266)	**643**	(309)
(63 302)	(77 470)	**23 538**	25 095	**16 609**	16 856	**(87 983)**	(120 542)

	Total		South African distribution	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
30. SEGMENTAL SUMMARY (continued)				
Reconciliation of net profit for the year to core net profit for the year				
Net profit/(loss) for the year	**448 915**	408 105	**560 053**	564 166
Amortisation of intangibles raised through business combinations net of tax	**10 625**	13 293	**6 323**	8 281
Core net profit/(loss) for the year	**459 540**	421 398	**566 376**	572 447
Core net profit/(loss) for the year attributable to:				
Equity holders of parent	**460 602**	437 516	**558 996**	570 766
Non-controlling interest	**(1 062)**	(16 118)	**7 379**	1 681
Non-cash items				
Net profit/(loss) on sale of subsidiaries	**—**	120	**—**	2 147
Net profit on disposal of associates	**—**	2 273	**—**	1 400
Discounting of receivables	**117 444**	127 773	**116 783**	127 773
Discounting of payables	**(143 882)**	(143 329)	**(143 882)**	(143 329)
The segment assets and liabilities at 31 May are as follows:				
Assets excluding investments in associates and joint ventures	**5 904 778**	5 196 385	**5 651 680**	4 950 040
Investments in associates and joint ventures	**598 109**	524 162	**—**	—
Total assets	**6 502 887**	5 720 547	**5 651 680**	4 950 040
Additions to non-current assets				
Property, plant and equipment	**47 038**	20 042	**42 678**	15 862
Intangible assets and goodwill	**397 203**	297 501	**388 280**	294 331
Investment in associates	**—**	138 174	**—**	—
Investment in joint ventures	**—**	—	**—**	—
Total liabilities	**(2 978 898)**	(2 477 694)	**(2 838 621)**	(2 331 195)

SEGMENTAL SUMMARY

The company is domiciled in the Republic of South Africa. The result of its revenue from external customers in South Africa is R19.402 billion (2013: R18.984 billion), and the total revenue from external customers from other countries is nil (2013: nil).

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

International distribution		Mobile		Solutions		Corporate	
2014 R'000	2013 R'000	**2014 R'000**	2013 R'000	**2014 R'000**	2013 R'000	**2014 R'000**	2013 R'000
(63 302)	(77 470)	**23 538**	25 095	**16 609**	16 856	**(87 983)**	(120 542)
3 315	4 176	**987**	798	**—**	38	**—**	—
(59 987)	(73 294)	**24 525**	25 893	**16 609**	16 894	**(87 983)**	(120 542)
(47 862)	(50 685)	**24 904**	24 787	**12 547**	13 190	**(87 983)**	(120 542)
(12 125)	(22 609)	**(378)**	1 106	**4 062**	3 704	**—**	—
—	—	**—**	(2 027)	**—**	—	**—**	—
—	—	**—**	—	**—**	873	**—**	—
—	—	**661**	—	**—**	—	**—**	—
—	—	**—**	—	**—**	—	**—**	—
(40 235)	(40 633)	**96 420**	94 581	**134 592**	144 172	**62 321**	48 225
596 611	522 345	**—**	—	**1 498**	1 817	**—**	—
556 376	481 712	**96 420**	94 581	**136 090**	145 989	**62 321**	48 225
—	—	**3 306**	2 530	**912**	781	**142**	869
—	—	**7 239**	2 500	**1 651**	661	**33**	9
—	138 174	**—**	—	**—**	—	**—**	—
—	—	**—**	—	**—**	—	**—**	—
(24 401)	(22 238)	**(76 359)**	(39 036)	**(15 767)**	(32 086)	**(23 750)**	(53 139)

The total non-current assets other than financial instruments and deferred tax assets located in South Africa is R1.164 billion (2013: R0.841 billion), and the total non-current assets located in other countries is R555 million (2013: R481 million).

The South African distribution segment includes revenue earned from a single external customer totalling R2.789 billion (2013: R3.577 billion).

31. EQUITY COMPENSATION BENEFIT

Forfeitable shares

During the year, 2 782 541 (2013: 3 496 103) 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, 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 25 cents (2013: 23 cents) per ordinary share was declared on 18 August 2013 (2013: 20 August 2012).

The performance condition for the third award grant of forfeitable shares vested on 31 August 2013 was as follows:

- 25% of the shares constituting the allocation were awarded for retention purposes and vested if the employee was still employed within the Group at the vesting date (31 August 2013).
- 25% of the shares constituting the allocation vested on the achievement by individual employees of their individual key performance indicators.
- 50% of shares constituting the allocation vested as the Group's core HEPS were equal to or exceeded 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 was no linear vesting to this portion of the allocation.

The performance condition for the fourth award grant of forfeitable shares vesting on 31 August 2014 is as follows:

- 25% of the shares constituting the allocation are awarded for retention purposes and shall vest if the employee is still employed within 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 exceed 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 GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

31. EQUITY COMPENSATION BENEFIT (continued)

Forfeitable shares (continued)

The performance condition for the fifth award grant vesting on 31 August 2015 of forfeitable shares is 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.

The performance condition for the sixth award grant vesting on 31 August 2016 of forfeitable shares is 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 2016).
- 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.

31. EQUITY COMPENSATION BENEFIT (continued)

Forfeitable shares (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 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**
Granted during the year			**2 782 541**	**24 347**
Sixth award	**2 September 2013**	**31 August 2016**	**2 782 541**	**24 347**
Shares forfeited during the year			**(1 074 880)**	**(5 724)**
Third award			**(194 902)**	**(916)**
Fourth award			**(496 374)**	**(2 234)**
Fifth award			**(383 604)**	**(2 574)**
Shares vested during the year			**(3 629 922)**	**(17 061)**
Third award		**31 August 2013**	**(3 629 922)**	**(17 061)**
At 31 May 2014			**9 714 449**	**62 419**
Fourth award			**3 819 409**	**17 187**
Fifth award			**3 112 499**	**20 885**
Sixth award			**2 782 541**	**24 347**

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

31. EQUITY COMPENSATION BENEFIT (continued)

Forfeitable shares (continued)

Refer to note 18 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 1 010 060 (2013: 1 096 759).

The share-based payment expense in relation to these executive directors is R5.6 million (2013: R6.3 million).

Refer to note 29 for details per director.

32. 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 19.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2014 R'000	2013 R'000
Premises		
Payable within one year	**29 434**	27 288
Payable in two to five years	**53 526**	70 012
Payable in greater than five years	**348**	4 489
Equipment		
Payable within one year	**416**	1 424
Payable in two to five years	**342**	376
Payable in greater than five years	**—**	—
	84 066	103 589

	Country	Number of issued ordinary shares	Percentage held
33. INTEREST IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES			
2014			
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	420	90
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 Inc.	USA	100	100
Budding Trade 1170 Proprietary Limited	RSA	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	100
Simigenix Proprietary Limited	RSA	120	100
The Prepaid Company Proprietary Limited	RSA	10 000	100
The Post Paid Company Proprietary Limited	RSA	200	100
TicketPros Proprietary Limited	RSA	250	100
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 2014

	Country	Number of issued ordinary shares	Percentage held
33. INTEREST IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)			
2014 (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			
Retail Mobile Credit Specialists Proprietary Limited	**RSA**	**42 431**	**100**
Subsidiary of Ventury Group Proprietary Limited			
Cigicell Proprietary Limited (refer to note 5 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**
Subsidiaries of Blue Label Mexico S.A. de C.V.			
SGC Servicios Y Gestion Corporation S.A. de C.V.	**Mexico**	**500**	**99.8**
Connecta Systems LLC	**USA**	**1 000**	**100**
Pagacel S.A. de C.V.	**Mexico**	**500**	**99.8**
Transipago S.A. de C.V.	**Mexico**	**500**	**99.8**

	Country	Number of issued ordinary shares	Percentage held
33. INTEREST IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)			
2014 (continued)			
Associates (continued)			
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*
Associates of Blue Label Data Solutions Proprietary Limited			
Forensic Intelligence Data Solutions Proprietary Limited	RSA	100	25
Joint ventures			
Joint venture of Blue Label Telecoms Limited			
Blue Label Mexico S.A. de C.V.	Mexico	9 200	45.57**
Joint venture of Datacel Direct Proprietary Limited			
Datacision 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 2014

	Country	Number of issued ordinary shares	Percentage held
33. INTEREST IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)			
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 Inc.	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

	Country	Number of issued ordinary shares	Percentage held
33. 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
Subsidiaries of Blue Label Mexico S.A. de C.V.			
SGC Servicios Y Gestion Corporation S.A. de C.V.	Mexico	500	99.8
Connecta Systems LLC	USA	1 000	100
Pagacel S.A. de C.V.	Mexico	500	99.8
Transipago S.A. de C.V.	Mexico	500	99.8

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

	Country	Number of issued ordinary shares	Percentage held
33. 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			
Datacision 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.*

34. SUBSEQUENT EVENTS

A final dividend of R182.1 million (27 cents per ordinary share) was declared for the year ended 31 May 2014, payable on Monday, 15 September 2014, to shareholders recorded in the register at the close of business on Friday, 12 September 2014.

In August 2014, BLT completed a transaction in which it acquired 75% of Viamedia Proprietary Limited. The purchase consideration is for an initial sum of R144.4 million plus additional amounts totalling up to R103.1 million if warranted profits are achieved by Viamedia during the forthcoming 36 months. If the warranted profits are not achieved, the above additional payments will be abated on a pro-rata basis. A further R112.5 million or part thereof will be payable if stretched targets over and above the warranted accumulated profits over the next three years are achieved. See note 26.3.

35. LITIGATION UPDATE

In December 2008, Africa Prepaid Services Proprietary Limited (APS), a subsidiary of BLT, 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 BLT.

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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

35. LITIGATION UPDATE (continued)

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.

Telkom and MLT instituted an action in the High Court against BLT, APS, APSN and certain individuals, including a former senior executive of Telkom, 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 BLT, 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 BLT was a party to.

On 6 September 2013, Telkom and MLT obtained an order from the High Court which had the effect of preventing the arbitrators from determining whether the agreement is valid and enforceable. APSN decided not to appeal against the order and submitted itself to the jurisdiction of the High Court for the purposes of defending the allegations made against it, BLT and the other defendants and for the purpose of proceeding with its claim against MLT for payment of the sum of USD457 million arising out of MLT's wrongful repudiation of the agreement. At the same time and in the same action, APSN has advanced a claim against Telkom for payment of the sum of USD457 million arising out of Telkom's wrongful interference with APSN's contractual rights against MLT. To the extent that APSN is unable to recover its losses from MLT, APSN aims to recover such losses from its claim against Telkom.

BLT and the other defendants vehemently deny the allegations made against them by Telkom and MLT, and maintain that they are not liable.

A trial date has not as yet been allocated.

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 May 2014

	Notes	2014 R'000	2013 R'000
ASSETS			
Non-current assets		**3 354 441**	3 234 767
Property, plant and equipment	3	**16 916**	23 601
Intangible assets	4	**253**	452
Deferred taxation asset	5	**6 737**	5 698
Investment in subsidiaries	6.1	**3 012 304**	3 040 190
Investment in and loans to joint ventures	6.2	**255 196**	164 826
Loan receivable	7	**63 035**	—
Current assets		**35 450**	46 719
Loans to subsidiaries	6.1	**31 565**	38 421
Trade and other receivables	8	**2 467**	7 190
Cash and cash equivalents	9	**1 418**	1 110
Total assets		**3 389 891**	3 281 488
EQUITY AND LIABILITIES			
Capital and reserves		**2 891 274**	3 077 661
Share capital	10	*****	*
Share premium		**4 012 359**	4 012 359
Treasury shares		**(30 887)**	(39 403)
		3 981 472	3 972 956
Equity compensation benefit reserve		**12 246**	15 815
Share-based payment reserve		**295**	295
Accumulated loss		**(1 102 739)**	(911 405)
Current liabilities		**498 617**	203 827
Trade and other payables	12	**23 291**	44 843
Loans from subsidiaries	13	**474 949**	150 858
Current tax liabilities		**377**	8 126
Total equity and liabilities		**3 389 891**	3 281 488

* *Less than R1 000.*

COMPANY STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 May 2014

	Notes	2014 R'000	2013 R'000
Other income		**96 837**	107 950
Employee compensation and benefit expense	14	**(55 702)**	(80 173)
Depreciation, amortisation and impairment charges		**(7 019)**	(21 443)
Other expenses		**(64 389)**	(73 424)
Operating loss	15	**(30 273)**	(67 090)
Finance costs	16	**(775)**	(400)
Finance income	16	**7 806**	3 630
Net loss before taxation		**(23 242)**	(63 860)
Taxation	17	**535**	(405)
Net loss for the year		**(22 707)**	(64 265)
Other comprehensive income for the year, net of tax		**—**	—
Total comprehensive loss for the year		**(22 707)**	(64 265)

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 May 2014

	Share capital R'000	Share premium R'000
Balance as at 31 May 2012	*	4 012 359
Net loss for the year	—	—
Other comprehensive income	—	—
Total comprehensive loss	—	—
Shares purchased during the year	—	—
Shares awarded to Group companies as part of equity compensation scheme	—	—
Shares forfeited by Group companies as part of equity compensation scheme	—	—
Equity compensation scheme shares vested	—	—
Equity compensation movements	—	—
Dividends	—	—
Balance as at 31 May 2013	*	4 012 359
Net loss for the year	—	—
Other comprehensive income	—	—
Total comprehensive loss	—	—
Shares purchased during the year	—	—
Shares awarded to Group companies as part of equity compensation scheme	—	—
Shares forfeited by Group companies as part of equity compensation scheme	—	—
Equity compensation scheme shares vested	—	—
Equity compensation movements	—	—
Dividends	—	—
Balance as at 31 May 2014	*****	**4 012 359**

** Less than R1 000.*

Treasury shares R'000	Equity compensation benefit reserve R'000	Share-based payment reserve R'000	Accumulated loss R'000	Total equity R'000
(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
—	**—**	**—**	**(22 707)**	**(22 707)**
—	**—**	**—**	**—**	**—**
—	**—**	**—**	**(22 707)**	**(22 707)**
(11 120)	**—**	**—**	**—**	**(11 120)**
14 370	**—**	**—**	**—**	**14 370**
(3 275)	**—**	**—**	**—**	**(3 275)**
8 541	**(8 541)**	**—**	**—**	**—**
—	**4 972**	**—**	**—**	**4 972**
—	**—**	**—**	**(168 627)**	**(168 627)**
(30 887)	**12 246**	**295**	**(1 102 739)**	**2 891 274**

COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 May 2014

	Notes	2014 R'000	2013 R'000
Cash flows from operating activities	18	**(17 969)**	8 526
Interest received	16	**527**	3 630
Interest paid	16	**(775)**	(400)
Taxation paid	19	**(8 254)**	(1 295)
Net cash flows from operating activities		**(26 471)**	10 461
Cash flows from investing activities			
Acquisition of property, plant and equipment	3	**(141)**	(868)
Proceeds on sale of property, plant and equipment		**63**	474
Acquisition of intangible assets	4	**(34)**	(9)
Loans repaid by subsidiaries		**21 227**	248 492
Loans advanced to subsidiaries		**(27 714)**	(38 586)
Acquisition of subsidiaries		**(25 201)**	(36 569)
Loans advanced to joint venture	6	**(85 765)**	—
Acquisition of investment in joint venture		**—**	(110 345)
Net cash flows from investing activities		**(117 565)**	62 589
Cash flows from financing activities			
Borrowings raised from subsidiaries	13	**324 091**	99 220
Dividends paid		**(168 627)**	(155 137)
Treasury shares acquired		**(11 120)**	(17 223)
Net cash flows from financing activities		**144 344**	(73 140)
Increase/(decrease) in cash and cash equivalents		**308**	(90)
Cash and cash equivalents at the beginning of the period		**1 110**	1 200
Cash and cash equivalents at the end of the period	9	**1 418**	1 110

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

For the year ended 31 May 2014

1. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The accounting policies and critical accounting estimates and assumptions applied to the Company annual financial statements are consistent with the Group accounting policies as detailed on pages 117 to 136.

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 groups 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 R1 billion (2013: R900 million).

	2014 R'000	2013 R'000
2. FINANCIAL RISKS (continued)		
Loans to subsidiaries and joint venture		
Group 1	—	—
Group 2	32 619	38 421
Group 3	—	—
	32 619	38 421
Loans receivable		
Group 1	—	—
Group 2	63 035	—
Group 3	—	—
	63 035	—
Trade receivables		
Counterparties without external credit rating		
Group 1	—	—
Group 2	—	6 443
Group 3	—	—
Total unimpaired trade receivables	—	6 443

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.

	2014 R'000	2013 R'000
BBB	—	305
BBB-	1 418	805
	1 418	1 110

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

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 for an overdraft facility in the amount of R19.85 million in favour of FNB, a division of FirstRand Bank Limited. This facility was unutilised as at 31 May 2014. 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

	Payable in: Less than one month or on demand R'000	More than one month but not exceeding one year R'000	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
2014					
Loans from subsidiaries	**474 949**	**—**	**—**	**—**	**—**
Trade and other payables*	**2 512**	**11 557**	**—**	**—**	**—**
Total	**477 461**	**11 557**	**—**	**—**	**—**
2013					
Loans from subsidiaries	150 858	—	—	—	—
Trade and other payables*	1 642	7 596	—	—	—
Total	152 500	7 596	—	—	—

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

2. FINANCIAL RISKS (continued)

Market risk

Market risk is the risk that changes in market prices (interest rate and currency risk) will affect the Company'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 Company is exposed to risks from movements in foreign exchange rates and interest rates that affect its assets, liabilities and anticipated future transactions.

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).

Contingent consideration, included in trade and other payables are level 3 financial liabilities.

Changes in level 3 instruments are as follows:

	2014 R'000	2013 R'000
Contingent consideration		
Opening balance	**3 030**	—
Acquisition of Panacea Proprietary Limited	**6 155**	2 334
Acquisition of Blue Label Engage Proprietary Limited	**—**	335
Settlements	**(1 800)**	—
Gains and losses recognised in profit or loss	**(129)**	361
Closing balance	**7 256**	3 030
Total gains or losses for the period included in profit or loss for liabilities held at the end of the reporting period, under:		
Other income	**(827)**	—
Interest paid	**698**	361
Change in unrealised gains or losses for the period included in profit or loss for liabilities held at the end of the reporting period	**698**	361

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

2. FINANCIAL RISKS (continued)

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 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 2014, 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 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 2014 would increase or decrease profit before tax by R655 070 (2013: R11 092).

2. FINANCIAL RISKS (continued)

Foreign currency risk

Financial instruments by currency

	2014 ZAR R'000	2014 USD R'000	2014 Total R'000	2013 ZAR R'000	2013 Total R'000
Financial assets					
Cash	**1 418**	**—**	**1 418**	1 110	1 110
Trade and other receivables*	**177**	**—**	**177**	6 445	6 445
Loans to subsidiaries and associates	**31 565**	**1 054**	**32 619**	38 419	38 419
Loans receivable	**—**	**63 035**	**63 035**	2	2
	33 160	**64 089**	**97 249**	45 976	45 976
Financial liabilities					
Non-interest-bearing borrowings	**474 949**	**—**	**474 949**	150 858	150 858
Trade and other payables*	**14 069**	**—**	**14 069**	9 238	9 238
	489 018	**—**	**489 018**	160 096	160 096
Net financial position	**(455 858)**	**64 089**	**(391 769)**	(114 120)	(114 120)

** 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 increase or decrease by R6.4 million respectively.

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.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

	Computer equip-ment 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 2014						
Opening carrying amount	**69**	**665**	**907**	**539**	**21 421**	**23 601**
Additions	**81**	**36**	**—**	**24**	**—**	**141**
Disposals	**(1)**	**—**	**(39)**	**—**	**—**	**(40)**
Depreciation charge	**(57)**	**(313)**	**(248)**	**(452)**	**(5 716)**	**(6 786)**
Closing carrying amount	**92**	**388**	**620**	**111**	**15 705**	**16 916**
At 31 May 2014						
Cost	**886**	**2 062**	**1 196**	**2 337**	**39 008**	**45 489**
Accumulated depreciation	**794**	**1 674**	**576**	**2 226**	**23 303**	**28 573**
Carrying amount	**92**	**388**	**620**	**111**	**15 705**	**16 916**
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

There are no property, plant and equipment assets that are encumbered.

	Computer software R'000	Other R'000	Total R'000
4. INTANGIBLE ASSETS			
Year ended 31 May 2014			
Opening carrying amount	**137**	**315**	**452**
Additions	**34**	**—**	**34**
Amortisation charge	**(93)**	**(140)**	**(233)**
Closing carrying amount	**78**	**175**	**253**
At 31 May 2014			
Cost	**2 587**	**700**	**3 287**
Accumulated depreciation	**(2 509)**	**(525)**	**(3 034)**
Carrying amount	**78**	**175**	**253**
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

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

	2014 R'000	2013 R'000
5. DEFERRED TAXATION		
At the beginning of the year	**(5 698)**	2 208
Credited/(charged) to the statement of comprehensive income:		
Provisions	**6 850**	(7 677)
Tax losses	**(8 121)**	—
Capital allowances	**(49)**	(49)
Equity compensation benefit	**(105)**	70
Other	**386**	(250)
At the end of the year	**(6 737)**	(5 698)
Deferred taxation comprises:		
Provisions	**(941)**	(7 791)
Tax losses	**(8 121)**	—
Capital allowances	**136**	185
Equity compensation benefit	**3 249**	3 354
Other	**(1 060)**	(1 446)
	(6 737)	(5 698)
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	**458**	251
Deferred tax assets to be recovered within 12 months	**(7 195)**	(5 949)
	(6 737)	(5 698)
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	**—**	—
Deferred tax liabilities to be recovered within 12 months	**—**	—
	—	—
Net deferred tax asset	**(6 737)**	(5 698)

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. There are no unrecognised tax losses in the current year (2013: R nil).

		2014 R'000	2013 R'000
6.	**INVESTMENTS IN GROUP COMPANIES AND RELATED LOANS**		
6.1	**Investments in and loans to subsidiaries**		
	Shares at cost less amounts written off	**3 012 304**	3 040 190
	Loans owing by subsidiaries less amounts written off	**31 565**	38 421
		3 043 869	3 078 611

Details are reflected below:

	Shares at cost R'000	Loans owing by subsidiaries R'000	Provision for impairment R'000
2014			
Activi Technology Services Proprietary Limited	*	—	—
Activi Deployment Services Proprietary Limited	5 060	—	—
Africa Prepaid Services Proprietary Limited[1]	61 520	75 644	(137 164)
Africa Prepaid Services Nigeria Limited[1]	14 000	17 510	(31 510)
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.[2]	307	—	—
Budding Trade Proprietary Limited**	6 000	—	—
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	180 201	(175 075)
Kwikpay SA Proprietary Limited**	22 500	—	—
Matragon Proprietary Limited**	*	—	—
Panacea Mobile Proprietary Limited	27 479	—	—
Simigenix Proprietary Limited	*	—	—
The Post Paid Company Proprietary Limited**	*	—	—
The Prepaid Company Proprietary Limited**	2 150 214	—	—
TicketPros Proprietary Limited	14 700	—	—
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	—	—
	3 271 201	274 331	(501 663)

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

6. INVESTMENTS IN GROUP COMPANIES AND RELATED LOANS (continued)

6.1 Investments in and loans to subsidiaries (continued)

	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)

* *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 33 in the Group notes. Refer to notes 15 and 21 for details on impairments.

[1] *These loans bear interest at prime + 2% and have no fixed terms of repayment. All other loans are interest-free.*

[2] *On 1 April 2014 BLT USA Inc. distributed its loan to 2DFine Holdings Mauritius of R63 million to Blue Label Telecoms Limited as a dividend in anticipation of deregistration. 2DFine Holdings Mauritius is a joint venture of Gold Label Investments Proprietary Limited. This loan receivable is disclosed in note 7. The excess of R10 million represents dividends received from BLT USA Inc. and is included in other income. See note 15.*

6. INVESTMENTS IN GROUP COMPANIES AND RELATED LOANS (continued)

6.1 Investments in and loans to subsidiaries (continued)

In the prior year, TicketPros Proprietary Limited, Blue Label Engage Proprietary Limited, Panacea Mobile Proprietary Limited and Africa Prepaid Services Nigeria Limited were acquired. In the current year shares in Simigenix Proprietary Limited were acquired, as well as additional shares in Panacea Proprietary Limited, TicketPros Proprietary Limited and Africa Prepaid Services Proprietary Limited. Refer to note 26 in the Group notes for details of these acquisitions.

		2014 R'000	2013 R'000
6.2	**Investments in and loans to joint ventures**		
	Shares as at the beginning of the year	**164 826**	26 652
	Acquisition of joint venture	**89 316**	138 174
	Shares as at the end of the year	**254 142**	164 826
	Loans at the beginning of the year	**—**	27 829
	Loan granted to joint venture capitalised	**(89 316)**	(112 822)
	Loans granted to joint venture	**86 819**	84 993
	Unrealised foreign exchange profit on loans to joint ventures	**3 551**	—
	Loans at the end of the year	**1 054**	—
	Closing net book value	**255 196**	164 826

On 10 September 2013 a loan of R85.8 million was advanced to Blue Label Mexico S.A. de C.V. (BLM). This loan was capitalised on 18 December 2013. The difference of R3.5 million relates to foreign exchange movements.

There was no impairment of investment in joint ventures. The terminal growth rates applied was 3.5% (2013: 4.3%). The weighted average cost of capital used to discount these cash flows was 17.44% (2013: 17.8%). The discount rates used are pre-tax and reflect specific risks relating to the relevant companies.

The discount rate used when calculating the value-in-use calculations would need to be increased by 3% before any impairments would need to be recognised.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

6. INVESTMENTS IN GROUP COMPANIES AND RELATED LOANS (continued)

6.2 Investments in and loans to joint ventures (continued)

		Date acquired	Country of incorporation	Percentage interest held
Blue Label Mexico S.A. de C.V.	Joint venture	23 February 2011	Mexico	40
Blue Label Mexico S.A. de C.V.*	Joint venture	1 September 2012	Mexico	5
Blue Label Mexico S.A. de C.V.*	Joint venture	1 January 2014	Mexico	0.57

In the current year there was a further capital contribution of R89.3 million to BLM. This resulted in a dilution of shares held by an outside shareholder increasing our shareholding to 45.57%.

	Assets R'000	Liabilities R'000	Revenues R'000	Loss R'000
2014				
Blue Label Mexico S.A. de C.V.	**393 801**	**58 777**	**2 865 340**	**(131 465)**
2013				
Blue Label Mexico S.A. de C.V.	349 286	73 551	1 742 863	(113 155)

* *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 prior year. The loan balance at 31 May 2012 of R27.8 million was capitalised during the prior year. In the current year, there was a further capital contribution of R89.3 million to BLM.*

	2014 R'000	2013 R'000
7. LOAN RECEIVABLE		
Interest-bearing loan receivable	**63 035**	—
	63 035	—

Interest-bearing loans bear interest at 10% per annum.

	2014 R'000	2013 R'000
8. TRADE AND OTHER RECEIVABLES		
Trade receivables	—	—
Sundry debtors	**211**	148
Prepayments	**535**	617
VAT	**1 721**	—
Amounts due from related parties (refer to note 21)	—	6 425
	2 467	7 190

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 2014			
Fully performing	—	—	—
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	—	—	—
	—	—	—
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

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.

	2014 R'000	2013 R'000
9. CASH AND CASH EQUIVALENTS		
Cash at bank	**1 418**	1 110
	1 418	1 110

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

	2014 Number of shares	2013 Number of shares	2014 R'000	2013 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	**661 635 258**	661 501 917	*****	*
Shares acquired during the year	**(1 368 822)**	(2 567 171)	*****	*
Shares vested during the year – Blue Label Telecoms Limited	**1 817 292**	1 232 031	*****	*
Shares vested during the year – Blue Label Telecoms Limited subsidiaries	**1 812 630**	1 468 481	*****	*
Balance at the end of the year	**663 896 358**	661 635 258	*****	*

* *Less than R1 000.*

All issued shares are fully paid up.

The total number of shares in issue, including shares held as treasury shares as at 31 May 2014, is 674 509 042 (2013: 674 509 042).

The Company acquired 1 368 822 (2013: 2 567 171) shares at an average price of R8.12 (2013: R6.71) on the JSE in order to grant forfeitable shares to employees and directors.

The amount paid to acquire these shares was R11 120 071 (2013: R17 222 717) and has been deducted from shareholders' equity.

These shares are held as "treasury shares". See note 11 for details on the forfeitable shares.

11. EQUITY COMPENSATION BENEFIT

Forfeitable shares

During the year, 1 140 180 (2013: 1 451 573) 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, 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 25 cents (2013: 23 cents) per ordinary share was declared on 18 August 2013 (2013: 20 August 2012).

The performance condition for the third award grant of forfeitable shares vested on 31 August 2013 is as follows:

- 25% of the shares constituting the allocation were awarded for retention purposes and vested if the employee was still employed within the Group at the vesting date (31 August 2013).
- 25% of the shares constituting the allocation vested on the achievement by individual employees of their individual key performance indicators.
- 50% of shares constituting the allocation vested as the Group's core HEPS are equal to or exceed 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 was no linear vesting to this portion of the allocation.

The performance condition for the fourth award grant of forfeitable shares vesting on 31 August 2014 was as follows:

- 25% of the shares constituting the allocation are awarded for retention purposes and shall vest if the employee is still employed within 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 exceed 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 2014

11. EQUITY COMPENSATION BENEFIT (continued)

Forfeitable shares (continued)

The performance condition for the fifth award grant vesting on 31 August 2015 of forfeitable shares is 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.

The performance condition for the sixth award grant vesting on 31 August 2016 of forfeitable shares is 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 2016).
- 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.

11. EQUITY COMPENSATION BENEFIT (continued)

Forfeitable shares (continued)

Movements in the number of forfeitable shares outstanding during the year are as follows:

	Grant date	Vesting date	Number 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**
Granted during the year			**1 140 180**	**9 977**
Sixth award	**2 September 2013**	**31 August 2016**	**1 140 180**	**9 977**
Shares forfeited during the year			**(461 206)**	**(2 449)**
Third award			**(70 875)**	**(333)**
Fourth award			**(227 595)**	**(1 024)**
Fifth award			**(162 737)**	**(1 092)**
Shares vested during the year			**(1 817 292)**	**(8 541)**
Third award		**31 August 2013**	**(1 817 292)**	**(8 541)**
At 31 May 2014			**4 241 011**	**26 779**
Fourth award			**1 811 995**	**8 154**
Fifth award			**1 288 836**	**8 648**
Sixth award			**1 140 180**	**9 977**

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

11. EQUITY COMPENSATION BENEFIT (continued)

Forfeitable shares (continued)

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 1 010 060 (2013: 1 096 759).

The share-based payment expense in relation to these executive directors is R5.6 million (2013: R6.3 million). Included in this is R659,000 (2013: R nil) paid by subsidiaries.

Refer to note 29 of the Group annual financial statements for details per director.

	2014 R'000	2013 R'000
12. TRADE AND OTHER PAYABLES		
Trade payables	**738**	232
Accruals	**4 501**	3 930
Employee benefits	**5 278**	29 513
Sundry creditors	**4 880**	6 688
Contingent consideration	**7 256**	3 030
VAT	**—**	1 116
Payables to related parties (refer to note 21)	**638**	334
	23 291	44 843
13. LOANS FROM SUBSIDIARIES		
Blue Label Investments Proprietary Limited	**3 638**	3 638
Datacel Direct Proprietary Limited	**—**	8 493
The Prepaid Company Proprietary Limited	**423 311**	90 727
Ventury Group Proprietary Limited	**48 000**	48 000
	474 949	150 858

Loans are unsecured, interest-free and are repayable on demand.

		2014 R'000	2013 R'000
14.	**EMPLOYEE COMPENSATION AND BENEFIT EXPENSE**		
	Salaries and wages	**44 878**	41 461
	Bonuses	**3 583**	27 770
	Equity compensation benefit	**4 972**	8 138
	Other	**2 269**	2 804
		55 702	80 173
	The average number of employees for the year is 36 (2013: 36).		
15.	**OPERATING LOSS**		
	The following items have been charged/(credited), in arriving at operating loss:		
	Acquisition-related costs	**2 901**	98
	Audit fees – other	**867**	474
	Audit fees – services as auditors	**5 217**	4 205
	Consulting fees	**7 147**	3 968
	Dividend received**	**(10 107)**	—
	Foreign exchange profit**	**(2 908)**	(95)
	Impairment of loans and investments*	**30 136**	61 323
	Insurance	**1 041**	1 118
	Legal fees	**623**	432
	Management fees received**	**(79 944)**	(107 380)
	Operating lease rentals – premises	**(1 826)**	(484)
	Rental paid	**11 871**	11 871
	Rental recovery	**(13 697)**	(12 355)
	Overseas travel	**1 671**	1 578
	Profit on disposal of property, plant and equipment**	**(23)**	(73)
	Repairs and maintenance	**1**	6

* *An impairment loss of R30.1 million (2013: R54.7 million) was recognised in the current year relating to the impairment of related party loans in line with our stated accounting policies (refer to note 21). The related party loans have been fully impaired due to the continuing trading losses in these entities which are not considered to be immediately recoverable. In the prior year an impairment loss of R6.3 million was recognised on a loan to a third party.*

** *Included in other income.*

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

		2014 R'000	2013 R'000
16.	**FINANCE COSTS/(INCOME)**		
	Interest paid		
	– Bank	**1**	3
	– Other	**774**	397
		775	400
	Interest received		
	– Bank	**(527)**	(48)
	– Loans	**(7 279)**	(3 582)
	– Other	**—**	—
		(7 806)	(3 630)
	Net finance income	**(7 031)**	(3 230)
17.	**TAXATION**		
	Current tax	**505**	8 311
	Current year	**—**	7 938
	Prior year adjustment	**505**	373
	Deferred tax	**(1 040)**	(7 906)
	Current year	**(1 040)**	(7 906)
		(535)	405
	Tax rate reconciliation		
	Net loss before tax	**(23 242)**	(63 860)
	Tax at 28%	**(6 508)**	(17 882)
	Income not subject to tax	**(3 882)**	—
	Expenditure not deductible for tax purposes	**10 190**	17 914
	Prior year adjustment	**505**	373
	Capital gains tax	**(840)**	—
		(535)	405

		2014 R'000	2013 R'000
18.	**CASH (UTILISED)/GENERATED BY OPERATIONS**		
	Reconciliation of operating loss to cash flows from operating activities		
	Operating loss	**(30 273)**	(67 090)
	Adjustments for:		
	Dividends received	**(10 107)**	—
	Depreciation of property, plant and equipment	**6 786**	7 217
	Amortisation on intangible assets	**233**	225
	Impairment of loans and investments	**30 136**	61 323
	Profit on disposal of property, plant and equipment	**(23)**	(73)
	Loss on disposal of subsidiaries	**—**	2 000
	Equity compensation benefit expense	**4 972**	8 138
	Net unrealised foreign exchange profit	**(2 864)**	—
	Changes in working capital:		
	Decrease/(increase) in trade and other receivables	**4 723**	(5 858)
	(Decrease)/increase in trade and other payables	**(21 552)**	2 706
	Increase in loans receivable	**—**	(62)
		(17 969)	8 526
19.	**TAXATION PAID**		
	Balance outstanding at the beginning of the year	**8 126**	1 110
	Taxation charge	**505**	8 311
	Balance outstanding at the end of the year	**(377)**	(8 126)
		8 254	1 295
20.	**COMMITMENTS**		
	Future operating lease commitments for:		
	Premises		
	Payable within one year	**13 751**	12 444
	Payable in two to five years	**27 465**	41 216
	Payable in greater than five years	**—**	—
		41 216	53 660

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

21. RELATED PARTY TRANSACTIONS

Related party relationships

For details of subsidiaries and joint ventures, refer to note 33 in the Group notes.

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, Wireless Business Solutions Proprietary Limited, iBurst Proprietary Limited, Parkrun Southern Africa Proprietary Limited, Bordelo Properties Proprietary Limited, Blu's Brothers Proprietary Limited, Stax Technologies 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.

Directors' emoluments (refer to note 29 of the Group annual financial statements and remuneration report).

The following transactions were carried out with related parties:

	2014 R'000	2013 R'000
Purchases from related parties		
Black Ginger 59 Proprietary Limited	**6 115**	4 902
BSC Technologies Proprietary Limited	**65**	7
Cellfind SA Proprietary Limited	**14**	—
Stax Technologies Proprietary Limited	**26**	—
Stylco Proprietary Limited	**—**	18
The Prepaid Company Proprietary Limited	**2**	3
Wildekrans Wine Estate Proprietary Limited	**1**	13
ZOK Cellular Proprietary Limited	**20**	—
Interest received from related parties		
Africa Prepaid Services Proprietary Limited	**4 462**	2 325
Africa Prepaid Services Nigeria Limited	**1 273**	120
2DFine Holdings Mauritius	**527**	—
Blue Label Mexico S.A. de C.V.	**1 017**	576
Management fees received from related parties		
Activi Deployment Services Proprietary Limited	**97**	88
Blue Label Distribution Proprietary Limited	**3 343**	3 039
Blue Label Mexico S.A. de C.V.	**250**	520
Blue Label One Proprietary Limited	**1 200**	1 320
Cellfind SA Proprietary Limited	**3 479**	3 162
Cigicell Proprietary Limited	**2 996**	2 723
Datacel Direct Proprietary Limited	**483**	439
The Prepaid Company Proprietary Limited	**68 000**	96 000
Transaction Junction Proprietary Limited	**97**	88
Rent received from related parties		
Black Ginger 59 Proprietary Limited	**13 545**	11 434

	2014 R'000	2013 R'000
21. RELATED PARTY TRANSACTIONS (continued)		
Rent paid to related parties		
Ellerine Bros. Proprietary Limited	**6 222**	5 631
Moneyline 311 Proprietary Limited	**6 222**	5 631
Impairment of related party investments		
Africa Prepaid Services Nigeria Limited	**—**	14 000
Impairment of related party loans		
Africa Prepaid Services Proprietary Limited	**17 740**	35 849
Africa Prepaid Services Nigeria Limited	**12 397**	5 113
Loans to related parties		
Blue Label Mexico S.A. de C.V.	**1 054**	—
Loan has no fixed terms of repayment and bears interest at 4.25% per annum.		
Gold Label Investments Proprietary Limited	**30 589**	37 446
Loan has no fixed terms of repayment and is interest-free.		
2DFine Holdings Mauritius	**63 035**	—
Loan bears interest at 10% per annum.		
Uninex Proprietary Limited	**976**	976
Loan has no fixed terms of repayment and is interest-free.		
Loans from related parties		
Blue Label Investments Proprietary Limited	**3 638**	3 638
Loan has no fixed terms of repayment and is interest-free.		
Datacel Direct Proprietary Limited	**—**	8 493
Loan has no fixed terms of repayment and is interest-free.		
The Prepaid Company Proprietary Limited	**423 311**	90 727
Loan has no fixed terms of repayment and is interest-free.		
Ventury Group Proprietary Limited	**48 000**	48 000
Loan has no fixed terms of repayment and is interest-free.		
Amounts due from related parties included in trade receivables		
Black Ginger 59 Proprietary Limited	**—**	4 683
Blue Label Distribution Proprietary Limited	**—**	8
Blue Label Mexico S.A. de C.V.	**—**	1 759
Smart Voucher Limited trading as Ukash	**—**	(25)
	—	6 425

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

	2014 R'000	2013 R'000
21. RELATED PARTY TRANSACTIONS (continued)		
Amounts due to related parties included in trade payables		
aloeCap Proprietary Limited	**44**	—
Blue Label Distribution Proprietary Limited	**—**	8
Cigicell Proprietary Limited	**—**	15
KM Ellerine	**84**	42
NN Lazarus	**133**	40
LM Nestadt	**211**	199
Unihold Group Proprietary Limited	**95**	—
SJ Vilakazi	**71**	30
	638	334

22. SHAREHOLDER ANALYSIS

Shareholder spread	Number of shareholdings	%	Number of shares	%
1 – 1 000 shares	**668**	**29.46**	**316 821**	**0.05**
1 001 – 10 000 shares	**1 010**	**44.55**	**3 971 872**	**0.59**
10 001 – 100 000 shares	**337**	**14.87**	**11 073 671**	**1.64**
100 001 – 1 000 000 shares	**167**	**7.37**	**54 991 560**	**8.15**
1 000 001 shares and over	**85**	**3.75**	**604 155 118**	**89.57**
Totals	**2 267**	**100.00**	**674 509 042**	**100.00**
Distribution of shareholders				
Banks	**35**	**1.54**	**77 493 541**	**11.47**
Close corporations	**24**	**1.06**	**512 298**	**0.08**
Empowerment	**1**	**0.04**	**6 863**	**0.00**
Endowment funds	**19**	**0.84**	**1 660 237**	**0.25**
Individuals	**1 688**	**74.47**	**172 572 464**	**25.58**
Insurance companies	**20**	**0.88**	**10 107 436**	**1.50**
Investment companies	**9**	**0.40**	**1 797 163**	**0.27**
Medical schemes	**3**	**0.13**	**544 341**	**0.08**
Mutual funds	**74**	**3.26**	**174 875 082**	**25.93**
Other corporations	**14**	**0.62**	**76 140**	**0.01**
Private companies	**57**	**2.51**	**118 089 500**	**17.51**
Public companies	**5**	**0.22**	**2 414 723**	**0.36**
Retirement funds	**111**	**4.90**	**67 233 193**	**9.97**
Treasury stock	**2**	**0.09**	**10 612 684**	**1.58**
Trusts	**205**	**9.04**	**36 513 377**	**5.41**
Totals	**2 267**	**100.00**	**674 509 042**	**100.00**
Public/non-public shareholders				
Non-public shareholders	**23**	**1.01**	**294 437 109**	**43.66**
Directors and associates	20	**0.88**	183 824 425	**27.25**
Strategic holdings (more than 10%)	1	**0.04**	100 000 000	**14.83**
Treasury stock	2	**0.09**	10 612 684	**1.58**
Public shareholders	**2 244**	**98.99**	**380 071 933**	**56.34**
Totals	**2 267**	**100.00**	**674 509 042**	**100.00**

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

22. SHAREHOLDER ANALYSIS (continued)

	Number of shares	%
Beneficial shareholders holding 2% or more		
Shotput Investments Proprietary Limited *	**100 000 000**	**14.83**
BM Levy	**83 350 961**	**12.36**
Allan Gray	**78 314 007**	**11.61**
MS Levy	**75 943 552**	**11.26**
Fidelity	**40 608 416**	**6.02**
36ONE Asset Management	**17 287 051**	**2.56**
Sanlam	**13 916 369**	**2.06**
Government Employees Pension Fund	**13 488 848**	**2.00**
Totals	**422 909 204**	**62.70**
Fund Managers 2% or more		
Allan Gray's clients	**135 145 617**	**20.04**
Fidelity Investments	**42 727 216**	**6.33**
RECM's clients	**25 271 246**	**3.75**
36ONE Asset Management	**20 243 140**	**3.00**
Public Investment Corporation	**14 426 870**	**2.14**
Sanlam Investment Management	**14 056 316**	**2.08**
Totals	**251 870 405**	**37.34**

** A discretionary trust, of which Kevin Ellerine is one of a number of potential beneficiaries, holds an interest in Shotput Investments Proprietary Limited. The indirect beneficial shareholding of Kevin Ellerine as disclosed per the Directors' Report refers to his effective shareholding in Lucystat Investments Proprietary Limited.*

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 2014, 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, 24 October 2014, that the seventh 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, 28 November 2014 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.

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, driving licences and passports.

RECORD DATES, PROXIES AND VOTING

In terms of sections 59(1)(a) and (b) of the Act, the Board of the Company has set the record date for the purpose of determining which shareholders are entitled to:

- receive notice of the 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, 24 October 2014; 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, 21 November 2014.

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, 26 November 2014.

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.

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.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

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 264 at the end of this notice.

When reading the resolutions below, please refer to the explanatory notes on pages 262 to 264.

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 2014, 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 107 to 225 of the integrated annual report. The Audit, Risk and Compliance Committee's report is set out on pages 67 to 70.

ORDINARY RESOLUTIONS

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

1. **Ordinary resolution number 1: Re-election of Mr BM Levy as a director of the Company**
   Resolved that Mr BM Levy, who was first appointed to the Board on 1 February 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 of Mr BM Levy is on page 21 of the integrated annual report.

2. **Ordinary resolution number 2: Re-election of Mr MS Levy as a director of the Company**
   Resolved that Mr MS Levy, who was first appointed to the Board on 1 February 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 of Mr MS Levy is on page 22 of the integrated annual report.

3. **Ordinary resolution number 3: Re-election of Mr MV Pamensky as a director of the Company**
   Resolved that Mr MV Pamensky, 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 of Mr MV Pamensky is on page 22 of the integrated annual report.

4. **Ordinary resolution number 4: Re-appointment of external auditors**
Resolved that on the recommendation of the current Audit, Risk and Compliance Committee of the Company, PricewaterhouseCoopers Incorporated, is re-appointed as independent registered auditor of the Company for the ensuing year until the conclusion of the next Annual General Meeting of the Company.

5. **Ordinary resolution number 5: Election of Mr JS Mthimunye as a member and chairman of the Audit, Risk and Compliance Committee for the year ending 31 May 2015**
Resolved that, in terms of section 94(2) of the Act, Mr JS Mthimunye, an independent non-executive director of the Company, is elected as a member and the chairman of the Audit, Risk and Compliance Committee.

   A brief biography of Mr JS Mthimunye is on page 25 of the integrated annual report.

6. **Ordinary resolution number 6: Election of Mr GD Harlow as a member of the Audit, Risk and Compliance Committee for the year ending 31 May 2015**
Resolved that, in terms of section 94(2) of the Act, Mr GD Harlow, an independent non-executive director of the Company, is elected as a member of the Audit, Risk and Compliance Committee.

   A brief biography of Mr GD Harlow is on page 24 of the integrated annual report.

7. **Ordinary resolution number 7: Election of Mr SJ Vilakazi as a member of the Audit, Risk and Compliance Committee for the year ending 31 May 2015**
Resolved that, in terms of section 94(2) of the Act, Mr SJ Vilakazi, an independent non-executive director of the Company, is elected as a member of the Audit, Risk and Compliance Committee.

   A brief biography of Mr SJ Vilakazi is on page 25 of the integrated annual report.

8. **Ordinary resolution number 8: Directors' authority to implement ordinary and special resolutions**
Resolved that each and every director of the Company is authorised to do all such things and sign all such documents as may be necessary for or incidental to the implementation of the ordinary and special resolutions passed at the AGM.

ADVISORY VOTE

There is no minimum percentage of voting rights required for an advisory vote to be adopted.

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 62 to 66 of the integrated annual report, is endorsed.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

SPECIAL RESOLUTIONS

In terms of sections 62(3)(c) and 65(9)of the Act, the minimum percentage of voting rights required for each of the following special resolutions to be passed is 75% 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 2014 to 31 May 2015:

Services as directors	**Current fee per meeting**	**Proposed fee per meeting***	**Proposed capped fee per annum****
– Chairman of the Board	–		R893 262
– Board members	R38 584	R40 899	R204 495
Audit, Risk and Compliance Committee			
– Chairman	R53 589	R56 804	R227 216
– Member	R32 154	R34 083	R136 332
Remuneration and Nomination Committee			
– Chairman	R42 871	R45 443	R181 772
– Member	R25 724	R27 267	R109 068
Investment Committee			
– Chairman	R32 154	R34 083	R272 664
– Member	R19 292	R20 450	R163 600
Transformation, Social and Ethics Committee			
– Chairman	R32 154	R34 083	R136 332
– Member	R19 292	R20 450	R81 800
Ad hoc committee			
– Chairman	R32 154	R34 083	R136 332
– Member	R19 292	R20 450	R81 800

* *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.*

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 are hereby authorised by way of a general approval, from time to time, to acquire ordinary shares in the share capital of the Company in accordance with the Act and the Listings Requirements, provided that:
(a) the number of its own ordinary shares acquired by the Company in any one financial year shall not exceed 20% (twenty percent) of the ordinary shares in issue at the date on which this resolution is passed;
(b) this authority shall lapse on the earlier of the date of the next 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 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 percent) 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 percent) in the aggregate of the number of issued shares in the Company at the relevant times;
(h) the acquisition of shares by the Company or its subsidiaries may not be effected during a prohibited period, as defined in the Listings Requirements; 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 percent) of the number of shares in issue at the date of the meeting at which this special resolution is considered and if approved, passed, and for each 3% (three percent) in aggregate of the initial number acquired thereafter.

The Listings Requirements require, in terms of paragraph 11.26, the following disclosures, which appear in the integrated annual report:
- major shareholders – refer to pages 254 and 255,
- material change – there were no material changes;
- share capital of the Company – refer to page 243; and
- responsibility statement – refer to page 105.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

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

Resolved that the Board may, subject to the Act, the Memorandum of Incorporation and the Listings Requirements, authorise the Company to provide direct or indirect financial assistance:

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

By order of the Board

J Van Eden
Group Company Secretary

Sandton
22 October 2014

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 3 (inclusive): Re-election of directors

In accordance with the Memorandum of Incorporation, one third of the directors is required to retire at each Annual General Meeting and may offer themselves for re-election. Messrs BM Levy, MS Levy and MV Pamensky 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 of directors are on pages 21 to 22 of the integrated annual report.

The Board is satisfied with the performance of each of the directors standing for re-election and that they will continue to make an effective and valuable contribution to the Company and to the Board.

The Board recommends to shareholders that they should vote in favour of the re-election of the directors referred to in ordinary resolution numbers 1 to 3 (inclusive).

Ordinary resolution number 4: 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 D Storm is appointed as the individual registered auditor for the ensuing year as contemplated in section 90(3) of the Act.

The Audit, Risk and Compliance Committee has satisfied itself that the proposed auditors, PwC and Mr D Storm, 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 2015 financial year.

Ordinary resolution numbers 5 to 7 (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.

In terms of Regulation 42 of the Companies Regulations, 2011, relating to the Act, at least one third of the members of the Company's Audit, Risk and Compliance Committee at any particular time must have academic qualifications, or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management. Each of the proposed members is duly qualified, as is evident from the biographies of each member, as contained on pages 24 and 25 of the integrated annual report.

Ordinary resolution number 8: Directors' authority to implement ordinary and special resolutions

The reason for ordinary resolution number 8 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.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

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 on pages 62 to 66 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 2014 to 31 May 2015.

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 200 and 201 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 should market conditions and price justify such action.

Special resolution number 3: Approval to grant financial assistance in terms of sections 44 and 45 of the Act
The existing authority granted by shareholders at the Annual General Meeting held on 29 November 2012 was valid for a two-year period and will expire at the AGM unless renewed.

The Company, in the ordinary course of its business, needs to provide financial assistance to certain of its subsidiaries, associates and joint ventures in accordance with section 45 of the Act, and furthermore it may be necessary for the Company to provide financial assistance in the circumstances contemplated in section 44 of the Act.

Notwithstanding the title of section 45 of the Act, being "Loans or other financial assistance to directors", on a proper interpretation thereof, the body of the section also applies to financial assistance provided by a company to any related or inter-related company or corporation, a member of a related or inter-related corporation, and to a person related to any such company, corporation or member.

Furthermore, section 44 of the Act may also apply to the financial assistance so provided by a company to any related or inter-related company or corporation, a member of a related or inter-related corporation, or a person related to any such company, corporation or member, in the event that the financial assistance is provided for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company.

Both sections 44 and 45 of the Act provide, inter alia, that the particular financial assistance may only be provided:
- pursuant to a special resolution of shareholders, adopted within the previous 2 (two) years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category; and
- the Board is satisfied that
  - immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test (as contemplated in the Act); and
  - the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

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.co.za, where a link to the registration page will be placed, by no later than 10:00 on Wednesday, 26 November 2014 (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 driving licence 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 from whom 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, 28 November 2014 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, 26 November 2014**. 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, 28 November 2014** or any adjournment thereof as follows:

Resolution	For	Against	Abstain
Ordinary resolution number 1: Re-election of Mr BM Levy as a director of the Company			
Ordinary resolution number 2: Re-election of Mr MS Levy as a director of the Company			
Ordinary resolution number 3: Re-election of Mr MV Pamensky as a director of the Company			
Ordinary resolution number 4: Re-appointment of external auditors			
Ordinary resolution number 5: Election of Mr JS Mthimunye as a member of the Audit, Risk and Compliance Committee			
Ordinary resolution number 6: Election of Mr GD Harlow as a member of the Audit, Risk and Compliance Committee			
Ordinary resolution number 7: Election of Mr SJ Vilakazi as a member of the Audit, Risk and Compliance Committee			
Ordinary resolution number 8: 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			
Special resolution number 3: Approval to grant financial assistance in terms of sections 44 and 45 of the Act			

Signed at this day of 2014

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, 26 November 2014.

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 AGM 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

Word	Definition
Aadhaar	The 12-digit ID card, issued by the Unique Identification Authority of India (UIDAI)
Act/the Act/Companies Act	Companies Act, No 71 of 2008, as amended from time to time
ADR	American Depository Receipts
AEON	Blue Label's proprietary switch through which all transactional capability is accessed
AEON EVD	The Aeon Electronic Voucher Distribution platform 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
badly banked	See under-banked
B-BBEE	Broad-based black economic empowerment
BLD	Blue Label Distribution Proprietary Limited
BLDS	Blue Label Data Solutions Proprietary Limited
BLE	Blue Label Engage Proprietary Limited
BLM	Blue Label Mexico S.A. de C.V.
BLT	Blue Label Telecoms Limited
Blue Label/Blue Label Telecoms	Blue Label Telecoms Limited
BoBo	Bill on Behalf of
BOD	Board of directors
BPO	Business Process Outsourcing

GLOSSARY CONTINUED

Word	Definition
bulk printing	Ability to print bulk vouchers
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 reuse and resale
COO	Chief Operations Officer
CPA	Consumer Protection Act
CRC	Customer relation consultant
CRM	Customer relationship management
CSA	Cricket South Africa
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

Word	Definition
ECNS/ECS	Electronic Communications 2005, Act, section 5(4) states: • Electronics Communications Network Services (ECNS). • Electronics Communications Services (ECS). ECNS and ECS that require a class licence include but are not limited to: • Electronic communication networks of district municipality or local municipal scope operated for commercial purposes. • Community broadcasting and low power services whether provided free to air or by subscriptions. • Such other services as may be prescribed, that the Authority finds do not have significant impact on socio-economic development.
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 question
FD	Financial Director
FIDS	Forensic Intelligence Data Solutions Proprietary Limited
FMCG	Fast-moving consumer goods
FQUN	Fully qualified username
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

GLOSSARY CONTINUED

Word	Definition
Group	Blue Label Telecoms Limited and its subsidiaries, associates and joint ventures
IBC	Inside back cover
IC	Investment Committee
ICASA	The Independent Communications Authority of South Africa. The regulator for the South African communications sector
ICT	Information and Communications Technology
IDMe	A life-saver product available internationally as a 24-hour panic button via your cellphone
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	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

Word	Definition
Listings Requirements	Listings Requirements of the JSE Limited, as amended from time to time
LSM	Living Standards Measure
M&A	Mergers and acquisitions
MMS	Multimedia messaging service
MOI	Memorandum of Incorporation
money remittances	The ability to transfer money to another individual without a bank account
NaaS	Network as a Service
NAV	Net Asset Value
NC	Nomination Committee, part of the Remuneration and Nomination Committee
NERA	National Empowerment Rating Agency
NFC	Near Field Communications is a short range wireless technology that makes use of interacting electromagnetic radio fields instead of the typical direct radio transmissions. It is appropriate for applications where a physical touch, or close to it, is required in order to maintain security
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) Private Limited
PaaS	Platform as a Service
pCommerce	Prepaid Commerce
parkrun SA	Parkrun Southern Africa Proprietary Limited
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

GLOSSARY CONTINUED

Word	Definition
POP	Points of presence
POPI	Protection of Personal Information Bill
POS	Point of sale, usually a place or a device
PowerPin Voucher	Offline prepaid electricity top-up, consolidates the purchase of prepaid electricity across national municipalities
PwC	PricewaterhouseCoopers Inc.
Q&A	Questions and answers
R&D	Research and development
RC	Remuneration Committee, part of the Remuneration and Nomination Committee
RMCS	Retail Mobile Credit Specialists Proprietary Limited
RNC	Remuneration and Nomination Committee
RUIM or R-UIM	Reusable Identification Module; removable ID chip for cellphones extends the GSM SIM card to CDMA phones and networks
SaaS	Software as a Service
SAICA	South African Institute of Chartered Accountants
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

Word	Definition
Telco	Telecommunications
ticketing	Bus, train and airline ticketing, as well as for events and entertainment
touch points	Devices through which consumers are able to purchase Blue Label products and services
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/badly 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 products and services
VAS	Value added services
Viamedia	Viamedia Proprietary Limited
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 Ellerine*, GD Harlow*, NN Lazarus SC*, JS Mthimunye*
MV Pamensky, DA Suntup, SJ Vilakazi*
**Non-executive*

COMPANY SECRETARY
J van Eden

SPONSOR
Investec Bank Limited

EXTERNAL AUDITORS
PricewaterhouseCoopers Inc.

INTERNAL AUDITORS
KPMG Services Proprietary Limited

AMERICAN DEPOSITORY RECEIPT (ADR) PROGRAMME
Cusip No: 095648101
Ticker name: BULBY
ADR to ordinary share: 1:10
Depository
The Bank of New York
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Registration number 2006/022679/06

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JSE SHARE CODE
BLU

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

BASTION GRAPHICS

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