



Blue Label Telecoms Limited

(Previously Friedshel 776 (Proprietary) Limited)

(Incorporated in the Republic of South Africa)

(Registration number 2006/022679/07)

JSE code: BLU ISIN: ZAE000109088

("Blue Label Telecoms" or "the Company")

PRE-LISTING STATEMENT

In this Pre-Listing Statement, unless otherwise stated or the context clearly indicates otherwise, the words defined in the definitions on pages 13 to 17 shall have the meanings associated to them, words in the singular shall include the plural and *vice versa*, words importing one gender shall include the other genders and references to persons shall include juristic persons and *vice versa*.

PART A: THE BUSINESS OF THE BLUE LABEL GROUP

I. OVERVIEW

The Blue Label Group produces and distributes a wide variety of prepaid secure electronic tokens of value and transactional services. The Group's prepaid products and service offerings include prepaid airtime, prepaid electricity, third party bill payments, electronic funds transfer, gift vouchers, loyalty programmes, stored value cards, location based services and other prepaid tokens of value (both physical and virtual) that are allied to the telecommunications, utilities, insurance, financial services and transport industries.

The Blue Label Group is one of the leading distributors of prepaid airtime in South Africa. The Group's distribution channels extend to supplying the foremost retailers and wholesalers, petroleum forecourts, independent retailers and directly to end-users. The Blue Label Group has distribution agreements with the South African Mobile Network Operators and with Telkom.

The Blue Label Group's extensive distribution network in South Africa embraces over 100 000 points of presence to which prepaid products are supplied by the Group on a daily, weekly or monthly basis, determined with reference to product type, market demand and the geographic locality of the point of sale.

The success of the Blue Label Group within South Africa led to its expansion offshore and the implementation of its business model in other emerging market economies in both Africa and India.

The Blue Label Group's Indian operation, Oxigen India, is an electronic distributor of prepaid and postpaid services through a single technology platform. Oxigen India's primary focus is on the electronic distribution of prepaid airtime acquired from the majority of telecom operators in India. Oxigen India is one of the market leaders in India in the electronic distribution of airtime and third party bill payment services, which it has achieved through the introduction and implementation of innovative technology.

The Group is currently operational in Mozambique and in the Democratic Republic of Congo and is in the process of expanding its presence in Africa.

The Blue Label Group has an ongoing focus on the development and introduction of additional product offerings which "plug into" the Blue Label Group's extensive distribution base.

2. NATURE OF BUSINESS AND STRATEGY

The Blue Label Group is primarily a prepaid services distribution group that offers the majority of prepaid services that are currently available in the market across its distribution network. The Group's strategy is to extend its distribution base and to create additional prepaid services and product offerings to be distributed through the existing Group's distribution channel, at a marginal additional cost. The supply of services and products via prepaid channels is becoming an increasingly significant distribution model in developing countries where large portions of the market are unbanked, do not qualify for credit or where the distribution of physical product is logistically difficult.

The Blue Label Group has developed and acquired various leading-edge cellular telephony and transaction based solutions. The Group uses the latest technology standards and protocols to develop services that are flexible and dependable.

The Blue Label Group has five key focus areas:	
Telecommunications distribution	Distribution of physical and virtual prepaid airtime of the South African Mobile Network Operators and Telkom, and the distribution of starter packs in South Africa
International telecommunications distribution	International distribution of physical and virtual prepaid airtime in India and Africa
Technology platforms	Technological innovation, development and support for the operations of the Blue Label Group
Call centres	Outbound and inbound call centres to service companies within the Blue Label Group and third parties and to sell Blue Label Group and third party products
Other related services	Other related services of the Blue Label Group, leveraging off its existing products and distribution network as well as the development of new mobile services to take to market

The Blue Label Group's vision is to be a leading player in the secure electronic transaction and electronic product vending and processing space by being the provider of choice to end-consumers, corporates and government.

The Blue Label Group intends to continue growing both organically and acquisitively. As a publicly traded company, Blue Label Telecoms will be better placed to aggressively expand its operations both locally and internationally.

3. INCORPORATION, HISTORY AND RESTRUCTURE

BLI commenced business as an investment holding company in May 2001. One of BLI's first subsidiaries was TPC, with its major asset being a license from Telkom to distribute prepaid phone cards for its fixed line operations. The increasing consumer demand for cellular products resulted in TPC broadening its product offering to include mobile prepaid airtime recharge vouchers in physical and virtual form for all South African Mobile Network Operators and the distribution of starter packs.

Over the past 24 months TPC acquired shareholdings in various businesses operating in the prepaid transactional market – predominantly vending prepaid airtime, but also involved in associated services and technologies. These acquisitions allowed TPC to defend its share of the prepaid airtime vending market. By acquiring the key distributors operating in the prepaid transactional market TPC was able to build a robust supply chain which enables TPC to leverage off the network operators' rebate and discount schemes.

BLI made various other strategic acquisitions. In April 2004 BLI's international expansion plan commenced with the launch of Oxigen India, in partnership with strategic like thinking entrepreneurs. BLI also established APS with operations in Mozambique and the Democratic Republic of Congo. In 2005 BLI, together with a partner, established Datacel which evolved into BLI's call centre operation. BLI also acquired the location based service, Cellfind.

Blue Label Telecoms was incorporated in 2006 as Friedshelf 776 (Proprietary) Limited and on about 9 October 2007 was converted into a public company and was renamed to "Blue Label Telecoms Limited" in 2007. The company is being used to facilitate the Listing of the Blue Label Group and was not operational before the Restructuring.

The Restructuring will include the following:

- Blue Label Telecoms will be converted into a public company;
- BLI will sell the BLI Non-Core Assets to Newco;
- Friedshelf 649 will settle its loan obligations to its shareholders in the form of WBSH shares, whereafter the remaining WBSH shares will be unbundled to the BLI Shareholders and the other Friedshelf 649 shareholders.

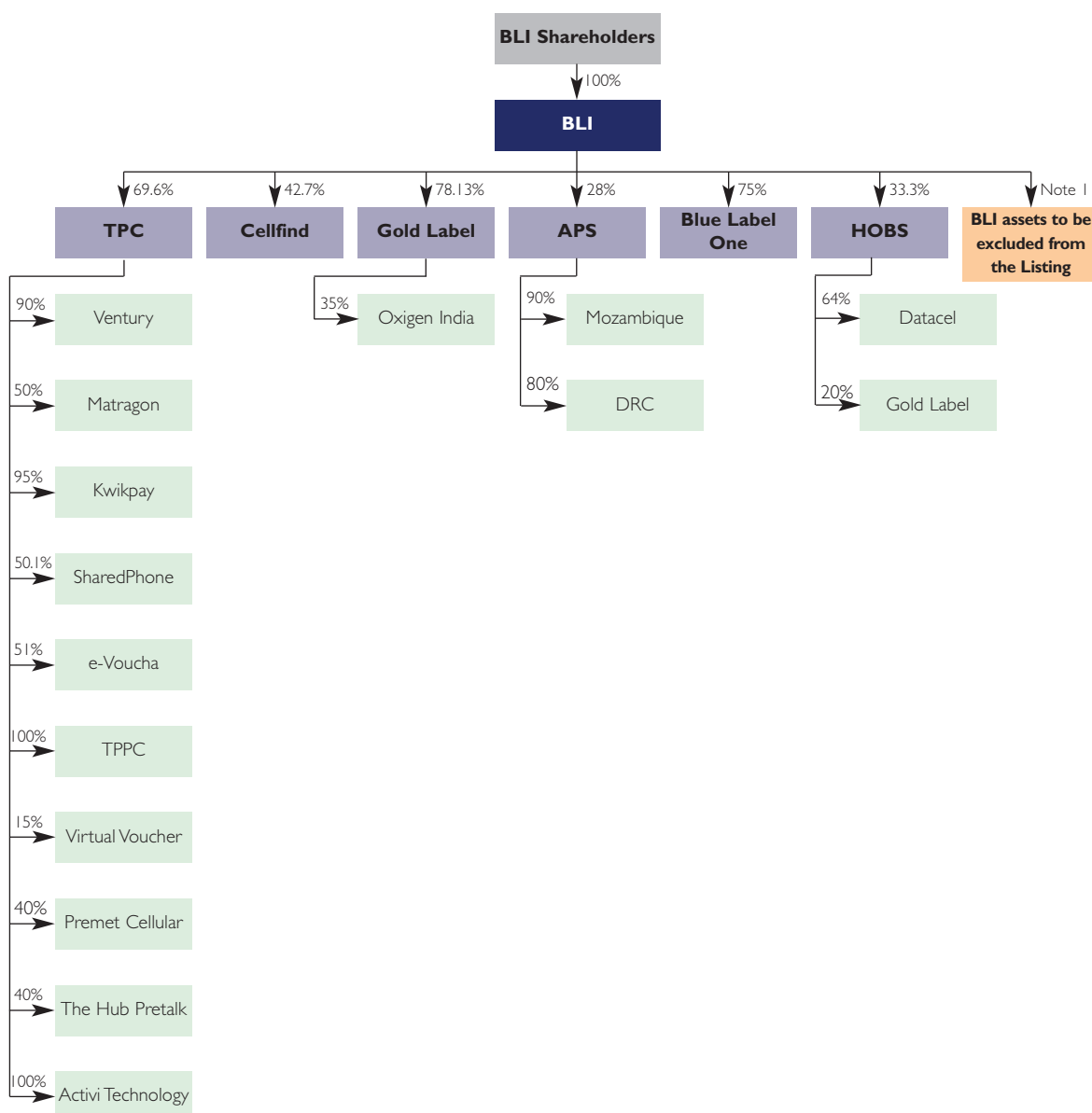
- Blue Label Telecoms will acquire all of the issued shares in BLI and the BLI Shareholder loan claims from the BLI Shareholders;
- BLI will unbundle its 69.6% interest in TPC to Blue Label Telecoms;
- Blue Label Telecoms will acquire the remaining 30.4% of TPC from Shotput Investments; and
- Blue Label Telecoms will acquire additional interests in the majority of the Blue Label Group companies, which interests will be held directly by Blue Label Telecoms.

The Restructuring will be completed on the Restructuring Date. Please refer to Annexure I for a detailed description of the Restructuring.

4. GROUP STRUCTURE

4.1 Group structure prior to the Restructuring

The Blue Label Group structure prior to the Restructuring is illustrated below:

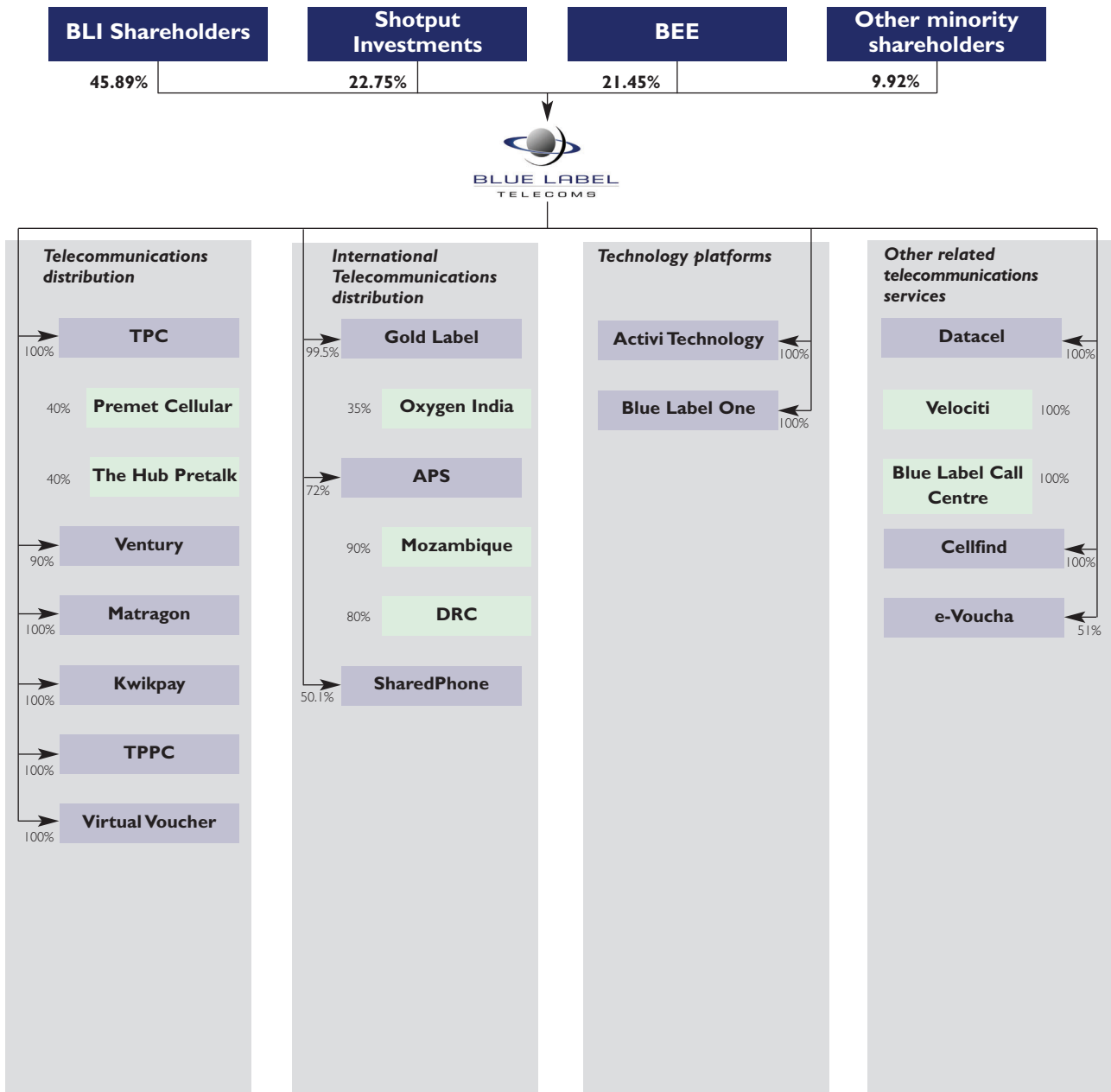


Note I: The BLI assets that will not be part of the Listing include:

- BLI's 73% investment in Friedshelf 649 which holds a 25.2% interest in WBSH – Friedshelf 649 will settle its loan obligations to its shareholders in the form of WBSH shares and loans, whereafter the remaining WBSH shares will be unbundled to the BLI Shareholders and the other Friedshelf 649 shareholders.
- the BLI Non-Core Assets to be sold to Newco.

4.2 Group structure post the Restructuring

The Blue Label Group structure subsequent to the Restructuring and the net effect of the Restructuring is illustrated below:



5. OVERVIEW OF THE BLUE LABEL GROUP COMPANIES



Blue Label Telecoms

• **Corporate head office**

Blue Label Telecoms holds direct interests into the various subsidiaries of the Blue Label Group. Blue Label Telecoms is the corporate head office of the Blue Label Group and responsible for implementation of the strategic objectives of the Blue Label Group.

THE
PREPAID
COMPANY



TPC (100%)

• **Leading distributor of prepaid airtime, Vodacom starter packs and transaction processing technology and services**

TPC is a leading wholesale and retail distributor of physical and virtual prepaid airtime for the South African Mobile Network Operators. TPC is also a major distributor of Vodacom starter packs. In addition, TPC is a supplier of transaction processing technology and services that facilitate the purchasing, management and delivery of prepaid airtime through market leading IT. TPC has a well-established distribution footprint in the South African prepaid market.

TPC has four key operating divisions:

TPC virtual prepaid division

The virtual prepaid division distributes virtual prepaid products utilising the TPC IT infrastructure to ensure the accurate and efficient delivery of virtual prepaid products to its customers. TPC acquires virtual prepaid airtime from the telecommunications networks, warehouses the virtual airtime on its IT infrastructure and distributes the virtual airtime to its customers using various virtual distribution methods.

TPC retail division

The retail division provides cellular telephony solutions and value added services to major retailers and smaller merchants, including in-store cellular kiosks and concepts such as the 'store-within-a-store'.

TPC starter pack division

TPC is one of the largest national distributors of Vodacom starter packs in South Africa. TPC purchases starter packs directly from Vodacom and distributes it to wholesalers, retailers and independent retail stores.

A key aspect of the TPC starter pack division has been its innovation with respect to systems that promote starter pack tracking and activation – an area of persistent challenge for those in the industry. TPC has designed a unique starter pack tracking system called "Scan-A-code" that enables the company to track the activation of starter packs.

Revenue earned from the distribution of starter packs includes:

Activation income

Vodacom pays an activation fee to TPC for every SIM-card that is activated and that was distributed by TPC.

Ongoing revenue

TPC earns annuity income on every airtime recharge that is made on a SIM-card distributed by TPC, whether or not the airtime was supplied by TPC.

TPC physical airtime division

The physical airtime division concentrates on the distribution of physical prepaid cards to wholesalers and retailers, many of whom are in remote areas of South Africa.



Ventury (90%)

- **Distributor of prepaid airtime through own terminals**
- **Multi-channel payment and transaction processing group**

Ventury is a multi-channel payment and transaction processing group of companies. Ventury provides virtual vouchers and prepaid products through their own terminals, which the company supplies to its clients.

The key subsidiaries of Ventury are:

Cigicell (Proprietary) Limited (Registration number 1998/023249/07) **(100%)**

Cigicell is an electronic prepaid voucher distribution service provider and distributor of virtual prepaid airtime vouchers. There are more than 4 000 retail merchants using the Cigicell platform on a daily basis. Cigicell's major customers include BP, Sasol and Shell, Caltex and Total petroleum forecourts.

iVeri Payment Technology (Proprietary) Limited (“iVeri”) (Registration number 1998/006538/07) **(51%)**

iVeri is a developer and marketer of transaction acceptance technologies. It provides services to Nedbank and other transaction processors in Africa that require card acceptance capabilities. The iVeri system is designed to conform to international card association requirements and focuses its development initiatives on a multitude of merchant products that allow the card acquirer to aggregate transactions from all available mediums in a cost effective manner.



Matragon (100%)

- **Distributor of prepaid airtime and other prepaid products and starter packs**
- **Distribution channels include terminals, vending machines and software embedded on POS devices**

Matragon is a distributor of prepaid products and related services as well as mobile starter packs.

The company operates through its wholly owned subsidiary, Comm Express Services SA (Proprietary) Limited (Registration number 2004/003066/07) (“Comm Express”)

Comm Express

Comm Express was an early entrant into the prepaid market and has established itself as a market leader in the provision of electronic prepaid products and starter packs. Comm Express is unique in their approach, reaching the consumer through the establishment of association with independent retailers.

Comm Express has built a solid distribution channel through which they can control the reliable supply of electronic prepaid vouchers to the retailer by virtue of powerful management and monitoring systems. Comm Express has developed a wide range of POS solutions and devices that are dedicated to maximising the potential of each retailer that it transacts with. Comm Express manufactures and distributes electronic vending machines.

The Comm Express research and development division focuses on the continuous development of existing products and the creation of new and innovative products.



Kwikpay (100%)

- **Distributor of prepaid airtime and other prepaid products to retail partners – its major clients being Spar and Clicks**

Kwikpay is a provider of electronic product applications and services to businesses and retail partners. Kwikpay has developed a successful integrated platform whereby airtime vouchers are dispensed directly from POS till points. Kwikpay operate a multi-application, vertically integrated service from POS to back office for transactional and financial switching solutions.



Virtual Voucher (100%)

- **Fully integrated prepaid voucher management system operating at over 500 Engen petroleum forecourts**

Virtual Voucher is focussed on supplying electronic prepaid vouchers to more than 500 Engen petroleum sites around South Africa.

Virtual Voucher's technologies are integrated directly into Engen POS systems, thereby circumventing the need to deploy physical terminals at the various sites. In addition, Virtual Voucher supplies terminals to sites where integrated till roll-out would be too expensive.



TPPC (100%)

- **Sells post paid and hybrid contracts**

TPPC sells post paid contracts and hybrid-contracts to pre-vetted/registered customer bases.



Gold Label (99.5%)

- **Gold Label owns 35% of Oxygen India**
- **Distributor of prepaid products and facilitator of third party bill payments in the Indian market**

Gold Label is a South African based investment holding company with its only investment being a 35% interest in Oxygen India.

Oxygen India was incorporated in 2004 as a joint venture between BLI and Neptune Infocom Private Limited (Registration number U74899DL2002PTC113743), an Indian investor consortium. In March 2006 CitiGroup acquired a 29.86% interest in Oxygen India and increased this interest in May 2006 with an additional 0.14% to an effective holding of 30%.

Oxygen India is an electronic distributor of numerous prepaid and post paid services, through a single platform in India. Oxygen India's primary focus is the electronic distribution of prepaid airtime for the leading telecom operators in India.

Oxygen India provides a fully integrated solution for ordering and delivery of prepaid airtime, third party bill payments and other products in the retail environment in India.



APS (72%)

- **Distributor of bulk printed physical prepaid products and Vodacom starter packs**
- **Present in the Democratic Republic of Congo ("DRC") and Mozambique**

APS is a South African registered and incorporated company which has two subsidiaries in Africa, namely:

- Africa Prepaid Services Mozambique (Registered in Mozambique, Registration number 400/137307); and
- Africa Prepaid Services DRC (Registered in the DRC, Registration number 01-73-N401907).

APS distributes prepaid cellular airtime and Vodacom starter packs. APS's strategy is to establish and own starter pack and prepaid cellular airtime distribution channels throughout the African continent (excluding South Africa).

APS is currently active in Mozambique and the DRC and intends to pursue other opportunities on the African continent (excluding South Africa).



Blue Label One (100%)

- **Technology centre of the Blue Label Group**

Blue Label One was formed as a "partnership" between BLI and Dr Angelo Roussos and Dr David Fraser (Please refer to paragraph 16.2 of the Pre-Listing Statement for a short overview of the experience of Drs Roussos and Fraser). Blue Label One was founded in order to focus on the technology strategy and new product development within the Blue Label Group.

Blue Label One is actively involved in a number of companies in the Blue Label Group. The role of Blue Label One within the Blue Label Group includes:

- new technology creation and enablement as well as new venture creation based on the new technology

- creation of a common platform for integrating mobile services; and
- development and implementation of a Group IT strategy.



Activi Technology (100%)

- **Technology development and deployment services to the Blue Label Group**

Activi Technology operates through 3 subsidiaries:

IT-EXPERTS (Proprietary) Limited (“ITEX”) (Registration number 2006/024672/07) **(100%)**

ITEX specialises in the development of products, solutions and services, enabling the processing of secure electronic transactions across wired and wireless networks.

Transaction Junction (Proprietary) Limited (Registration number 2004/072933/07) **(60%)**

Transaction Junction provides and develops a range of transaction process management products and services to facilitate secure electronic transaction payments.

Activi Deployment Services (Proprietary) Limited (Registration number 1999/015131/07) **(100%)**

Activi Deployment Services provides financed and managed POS terminals to Blue Label Group customers, in order to facilitate the processing of electronic transactions. This is achieved through a national service and support team.



Cellfind (100%)

- **Location based services**

Cellfind was established in September 2003, and successfully launched the first GSM based passive location service in Africa and the southern hemisphere on 29 February 2004. Cellfind is the market leader in location based services in South Africa, offering a wide range of active and passive products.

Since launching, the company has enjoyed considerable commercial success through a variety of self-managed products and partners for whom it provides mobile enablement.

Cellfind's products include Look4Me and Look4Help. Both products are currently exclusive to the Vodacom network and are available to postpaid and prepaid customers. Cellfind earns subscription and transaction fees from users of these products.

Look4Me is a tracking service that allows cell phone users to track other cell phone users, provided consent has been granted. Look4Help is a voice-free “panic button” that allows the user to send a distress message including his/her location to up to four pre-specified cell numbers. The “panic button” is saved as a speed-dial button on the user's handset and the distress message can be initiated by pushing the “panic button”.



Datacel (100%)

- **Direct marketing of short term insurance products to various databases**

Datacel was established in 2004 and is involved primarily in outbound telemarketing of insurance products through call centres. It earns both fixed revenues from traditional call center operations, as well as ongoing annuity commission from financial products sold. It is configured to receive both inbound and outbound calls and the division is expanding in line with the increased need for call centre solutions across all industries. It procures databases from various sources in order to “mine” them for purposes of selling financial services and other products to previously under-served markets. While Datacel currently focuses on insurance products, it intends to expand into the marketing of cellular contracts, credit cards and other products. Datacel operates through external call centres as well as two call centres owned by the Blue Label Group (Velociti (Proprietary) Limited (Registration number 2005/013645/07) and the Blue Label Call Centre (Proprietary) Limited (Registration number 2006/023877/07).



SharedPhone (50.1%)

- **Provider of SIM-card based telecommunication solutions**

SharedPhone developed the first SIM-card based GSM payphone application. The application is embedded on a SIM-card and allows a street vendor, equipped with a low cost GSM mobile handset to operate a public payphone and electronic airtime vending service.

SharedPhone's products and services include value added services such as airtime, electricity, and insurance vending.



e-Voucha (51%)

• A card system that facilitates the settlement of insurance claims

e-Voucha makes use of technology to supply a stored-value card solution to the insurance industry. The card solution streamlines the supply chain management process for the replacement of merchandise to insurer's clients via retailers. e-Voucha affords its clients the ability to replace stolen or lost goods using an e-Voucha stored-value card. Insurance "payouts" are loaded onto the e-Voucha card which is then used to purchase replacement goods from e-Voucha partners.

6. MAJOR AND CONTROLLING BLUE LABEL TELECOMS SHAREHOLDERS

Immediately prior to the Private Placing, based on the assumption that the Restructuring has been implemented, the Blue Label Telecoms Shareholders who will beneficially hold 5% or more of the Blue Label Telecoms Shares are as follows:

Shareholder	Number of Blue Label Telecoms Shares held	% of Blue Label Telecoms Shares in issue
Brett Marlon Levy	87 537 977	15.00
Mark Steven Levy	91 833 432	15.75
Shotput Investments	132 654 545	22.75
PIC	35 085 968	6.02
Nthwese	125 056 301	21.45

Insofar as is known to Blue Label Telecoms, the major Blue Label Telecoms Shareholders who will beneficially hold 5% or more of the Blue Label Telecoms Shares, immediately after the Private Placing, but prior to the Further Allotment Option, assuming the Private Placing is fully subscribed for and that the Private Placing has been placed at the mid range price of R6.25, are as follows:

Shareholder	Number of Blue Label Telecoms Shares held	% of Blue Label Telecoms Shares in issue
Brett Marlon Levy	77 642 159	10.45
Mark Steven Levy	78 157 614	10.52
Shotput Investments	132 654 545	17.85
Nthwese	90 284 592	12.15

There has been no change in control of Blue Label Telecoms, BLI or TPC in the five year period preceding the date of this Pre-Listing Statement, other than in terms of the Restructuring.

7. KEY STRENGTHS

Blue Label Telecoms' strengths include:

7.1 An experienced entrepreneurial management team with a proven track record

The co-founders of the Blue Label Group, Brett Marlon Levy and Mark Steven Levy are an integral component of the existing management team. The Blue Label Group's management team has extensive experience in the prepaid and related markets. The Blue Label Group's management has been instrumental in evolving traditional physical prepaid airtime into virtual prepaid airtime, thereby eliminating the costs of printing physical cards, the risk of stock theft, stock holding requirements and insurance costs required for holding physical stock.

The Blue Label Group management's achievements are evidence of its ability to deliver results, with an average compound annual growth rate in net income after tax of 57% from 2003 to 2007 and 53% in turnover for the same period. The management team is well positioned to deliver its strategic growth objectives and capitalise on additional opportunities already identified within the Blue Label Group.

7.2 Established distribution footprint

The Blue Label Group is one of the leading distributors in prepaid airtime in South Africa and distributes its prepaid products to more than 100 000 points of sale within South Africa. The Blue Label Group is an integral participant in the prepaid airtime supply chain. Its distribution channels extend to supplying prepaid products to the foremost retailers, and wholesalers petroleum forecourts and independent and informal retailers.

7.3 Key agreements and licenses

The Blue Label Group has specific distribution agreements and licences with South African Mobile Network Operators and Telkom, including WASP agreements.

7.4 Strong growth potential through exposure to developing economies

The Blue Label Group has established distribution footprints in India and Africa. The Blue Label Group operates under the "Oxigen" brand in India and had rolled out in excess of 40 000 points of sale in India as at May 2007.

India is one of the world's fastest-growing wireless telecom markets. In 2006 the number of mobile-phone service users in India grew 75.8% from 85 million in 2005 to 149.5 million in 2006. Monthly mobile user additions exceeded 6 million per month by the end of 2006. It is projected that the mobile service user base in India will rise to 484 million by 2011, more than three times the 149.5 million in 2006. Currently, approximately 80% of the Indian mobile subscriber base are prepaid subscribers.⁽¹⁾

7.5 Proven financial performance and stable cash flows

TPC, the main operating subsidiary of the Blue Label Group has a proven track record of over 6 years. TPC generates stable cash flows from its prepaid distribution channel, recurring revenue from Vodacom starter packs sales and generates interest income as a result of its favourable working capital cycle.

8. STRATEGIES FOR GROWTH

8.1 Blue Label Telecoms distribution network growth

The Blue Label Group has built a robust supply chain through its strategy to forward integrate into the airtime vending channel by acquiring the distributors involved in that market. The Group has acquired a number of businesses operating in the prepaid market; predominantly vending prepaid airtime, but also involved in associated electronic token distribution and value-added services.

In terms of the Restructuring, Blue Label Telecoms will acquire 100% of the majority of local subsidiaries in the Blue Label Group and so achieve a competitive advantage by controlling its supply chain and distribution channel.

8.2 Synergy within Blue Label Telecoms

The Blue Label Group subsidiaries will converge their technologies and resources, in order to create efficiencies between the businesses and value in excess of that offered by the individual businesses.

⁽¹⁾ Overview from the Department of telecommunications, India.

8.3 Improved cost structure within Blue Label Telecoms

Blue Label Telecoms aims to achieve a cost leadership position in the prepaid airtime market through improving market share, and favourable access to leading-edge technologies and solutions for increased automation.

8.4 Advanced product differentiation in the markets served by Blue Label Holdings

The Blue Label Group is of the opinion that the prepaid model will become the preferred method by which suppliers make their products available to the lower income and unbanked markets. The Blue Label Group expends resources to identify and develop new types prepaid products and services allied to telecoms, utilities, insurance, financial services and transport sectors. New prepaid product offerings can be distributed over the Blue Label Group distribution network at a minimum incremental cost.

9. PROSPECTS FOR THE BLUE LABEL GROUP

The Blue Label Group has experienced substantial increases in revenue and profitability over the past 5 years with revenue increasing on average by 53% per year and net profit after tax increasing on average by 57% per year. Over this period, the Blue Label Group has expanded its distribution network and has, through organic growth and strategic acquisitions, consolidated and secured its supply chain.

South Africa has in excess of 41 million mobile phone subscribers which translate into an approximate 82% cell phone penetration of the market. Approximately 85% of the mobile phone subscribers are prepaid subscribers. South Africa has experienced robust economic growth over the last 5 years which has seen cell phone penetration increasing from 38% to the current levels. The positive economic growth is expected to continue in the short term, which should result in an even further improvement in cell phone penetration in South Africa. The demand for cell phone airtime is fairly inelastic and a decrease in consumer demand as a result of the tightening monetary policy should not have a significant effect on the demand for prepaid airtime.

The Blue Label Group is well positioned, through its extensive distribution footprint, to benefit from any increase in prepaid airtime demand. The Blue Label Group has an established distribution network in India that facilitates the distribution of various prepaid products as well as third party bill payments. Favourable economic conditions in India are resulting in a rise in per-capita income. This increased wealth, coupled with declines in import tariffs on mobile phones and pro-industry government regulations enacted by the Indian government has resulted in an increase in the mobile phone users in India. The Blue Label Group had more than 40 000 prepaid terminals deployed in India. The Blue Label Group expects this deployment to grow in relation to the forecast market growth in India.

Outside of South Africa, the Blue Label Group is currently operational in Mozambique and the Democratic Republic of Congo. The Group is constantly seeking new partnerships in African countries and other emerging markets.

The Group has expanded its operations in recent years to include related services, linked to the telecommunications industry.

Cellfind is the market leader in location based services in South Africa. Subscribers to the Cellfind Look4Me and Look4Help services have more than doubled in each year since its inception in 2003. Cellfind is expecting its growth in subscriber numbers to continue as a result of advertising campaigns and increased market awareness of its products.

Datacel focuses on the maximisation of income generated from the databases available to it. Datacel has embarked on a strategy of acquiring and growing its own call centre operations and has acquired Velociti to add to the Blue Label Call Centre.

10. RATIONALE FOR LISTING

The proposed listing on the JSE will enable the Company to:

- fund its current and future operations by having access to capital markets;
- enhance market awareness of Blue Label Telecoms;
- raise capital to settle parts of the purchase considerations for recent acquisitions made as part of the Restructuring;
- recapitalise its balance sheet through the settlement of shareholder and third party loans;
- attract and retain high quality people by affording Blue Label Telecoms staff the opportunity to participate in the future growth of Blue Label Telecoms;
- recapitalise the current working capital in the Blue Label Group;
- improve the Group's buying power with trade partners through enhanced credibility; and
- raise funding for the potential future expansion of the Blue Label Group.

11. KEY INVESTMENT CONSIDERATION

The directors of Blue Label Telecoms are of the opinion that the Listing on the JSE presents the following key investment considerations in relation to the Blue Label Group:

- has a leading position in the growing South African market for distribution of prepaid airtime;
- entrepreneurial management team;
- has an established distribution network in South Africa, distributing to over 100 000 point of sale devices;
- has a growing footprint in developing countries such as India, Mozambique and the Democratic Republic of Congo and poised to benefit from the growing telecommunications demand in these economies;
- has well-established relationships with the telecommunication network operators for the supply of prepaid airtime in the countries in which its products are distributed; and
- proprietary technology designed within the Blue Label Group provides the Group with strategic competitive advantage.

12. INFORMATION TECHNOLOGY

The Blue Label Group operates a centralised group-wide IT infrastructure. Retail point of sale devices and mobile terminal devices used for the sale of prepaid tokens and electronic funds transfer can connect centrally to a host of systems and service platforms without incurring the cost associated with duplication of applications, connectivity and operational management. This approach also allows for the rapid deployment of products, services and technologies wherever the opportunity may present itself commercially to the Group.

Many services are provided by Blue Label Group subsidiaries directly. In those instances where services are requested outside the scope of companies in the Group, these services are offered through integration to 3rd parties offering 'best of breed' solutions and services.

12.1 Details of the Blue Label Group's investment in IT

The Blue Label Group has undertaken certain strategic acquisitions in order to consolidate the use of centralised systems that can provide for a unified, flexible and internationally deployable IT architecture. Activi Technology, together with its subsidiaries, has been established as the centralised "technology centre" of the Group.

A number of the Blue Label Group companies have commenced major projects to migrate their services onto this newly established Activi Technology centralised environment. Projects will be conducted on an ongoing basis to continue the process of consolidating the IT environment of the entire Blue Label Group.

12.2 Dependence on IT

Much of the business activities of the Blue Label Group are underpinned by technology. The list below itemises those areas of commercial activity of the Blue Label Group services which are significantly dependent on various technologies implemented throughout the Group:

- Tracking of starter packs;
- Data warehouses, accounting systems, communication systems;
- Pinless airtime vending;
- Prepaid tokens such as prepaid insurance and new product developments;
- Mobile systems and software developments;
- Mobile location based applications and value added services;
- SIM developments on the SharedPhone applications;
- Vending machine applications;
- Terminal applications;
- Kiosk and touch screen applications; and
- Office automation in the Blue Label Group and all subsidiaries.

12.3 Disaster recovery procedures

Blue Label Telecoms is responsible for developing and maintaining plans for the recovery of the computing facilities and application platforms in the event of a disaster occurring.

The Group subsidiaries are held directly responsible for developing and maintaining a disaster recovery and business continuity plan specifically for the recovery of their business operations. They also contract directly with their customers on this basis.

12.4 Security

The Group subsidiaries manage all systems to minimise the risk of fraud associated with prepaid token distribution. All systems maintain comprehensive user security policies and procedures, audit trails and transaction logging. Where manual intervention is required, there is segmentation of tasks and duties.

The Group subsidiaries make use of proven security technologies for management of digital certificates, biometric access control, and bank-grade hardware security modules for PIN generation and management.

12.5 Support management

The Blue Label Group subsidiaries offer support centres to their customers individually. This support extends from field operations support and maintenance (including the management of POS devices, incorporating hardware, software and services support) to back-end core systems integration and application maintenance and support. Activi Technology has also deployed a central support facility for the Group and this has been made available to Blue Label Group subsidiaries.

Activi Deployment Services support centre creates call and remedial procedures and processes, such as notice procedures, call logging, identification, and notification of severity levels, and proposed response actions and support. In addition, it may prescribe monitoring procedures for compliance purposes.

13. EMPLOYEES

13.1 Promotion of employee development

Skills development

The Blue Label Group has several skills development initiatives relating to its core services. All personnel have access to the various initiatives and are encouraged to use these facilities through financial assistance, internal training initiatives and mentoring.

In addition the Group has developed clear and structured career paths within the various job streams from entry to advanced level. This is also once again available to all employees and works in conjunction with the skills development initiative.

The Blue Label Group has furthermore various programs whereby selected previously disadvantaged individuals are given the opportunity to gain direct selling and venture-creation skills, along with intensive mentoring, thereby enabling them to create sustainable businesses within which they will be self employed and can generate a secure income.

Employment Equity

The Blue Label Group has a detailed transformation policy which addresses all of the employment equity objectives. Firstly, the policy is aimed at implementing definitive strategies to promote the employment of previously disadvantaged individuals based on merit at all levels of the companies within the Group.

It is the Blue Label Group's intention to grow the level of previously disadvantaged representation of staff to such an extent that it better reflects the general population of South Africa. Secondly, the policy looks at the identification and elimination of any employment barriers for previously disadvantaged individuals that may exist within the Group.

14. BEE SHAREHOLDING

BEE is a central part of the South African government's economic transformation strategy. A multi-faceted approach to BEE has been adopted which aims to increase the number of black people that manage, own and control South Africa's economy. The three core elements of the South African government's BEE policy are: direct empowerment through ownership and control of enterprises and assets; human resource development and employment equity; and indirect empowerment through preferential procurement policies aimed at ensuring that black people benefit from South African tenders.

Several industries have taken the initiative to set their own specific targets related to, *inter alia*, the three core areas of BEE. These initiatives have been incorporated in transformation charters, some of which are presently in draft form. The transformation charters each contain a scorecard against which industry members are measured on their BEE progress. The scores achieved are important in competing and tendering for business from the public and private sectors. The scorecards have a cascading effect, with each commercial enterprise requiring a measure of BEE compliance from enterprises with which they do business, in order that they too can reach their BEE targets.

Nthwese is Blue Label Telecoms' BEE partner and its largest single shareholder. Prior to the Private Placing and after the Restructuring, Nthwese held 21.43% of in the issued share capital of Blue Label Telecoms. Nthwese's initial acquisition of the BLI Shares was funded by the PIC. The balance outstanding on the funding from the PIC as at the Listing Date is approximately R570 million. As part of the Private Placing, in terms of the Offer for Sale, Nthwese will sell Blue Label Telecoms Shares to the value of R217 million and the Bookrunner has a further option to sell up R36 million in Blue Label Telecoms Shares owned by Nthwese in terms of the Further Allotment Option. The proceeds from this sale will go towards the settlement of a portion of the outstanding funding from the PIC. Post the Private Placing, assuming a Private Placing Price of R6.25, being the mid range of the Private Placing Price Range, Nthwese will hold approximately 12.15% of the issued share capital of Blue Label Telecoms.

The Blue Label Telecoms Shares held by Nthwese carry full equity and voting rights participation making Nthwese an actively involved partner in the management and operations of Blue Label Telecoms.

14.1 Overview of Nthwese

Nthwese is an investment consortium that was formed in order to invest in BLI as BLI's BEE partner:

The shareholders of Nthwese are as follows:

Shareholder	Shareholding
Itje-Leswika Investment Holdings (Proprietary) Limited (Registration number 1998/021974/07)	45%
Kaizer Holdings (Proprietary) Limited (Registration number 1996/001207/07)	16.5%
Rorisang Investment Holdings (Proprietary) Limited (Registration number 2005/023650/07) ("Rorisang")	12.5%
Moatshe Trust	10%
Employee Trust	5%
Leruo Development Trust	5%
New Heights 101 (Proprietary) Limited (Registration number 2000/017989/07)	3%
Africa Next Investment Holdings (Proprietary) Limited (Registration number 2002/026064/07)	3%

All directors and shareholders of Nthwese are made up of historically disadvantaged individuals. All the shareholders of Rorisang, which holds 12.5% of the share capital of Nthwese, are black women.

15. CORPORATE SOCIAL RESPONSIBILITY

Blue Label Telecoms is committed to the upliftment and empowerment of individuals and communities throughout South Africa. The Blue Label Group realises that success in business leads to responsibility in terms of empowering fellow South Africans. The Blue Label Group has invested heavily in a variety of ambitious initiatives, aimed at changing the lives of disadvantaged South Africans.

Social initiatives include the following:

- Blue Label Telecoms sponsors young, previously disadvantaged, up and coming sporting people;
- Cellfind has partnered with Women and Men Against Child Abuse to launch an aggressive and proactive crime prevention campaign aimed at curbing the spate of criminal activity targeting children;
- SharedPhone has made significant investments in community upliftment projects in the communities in which it sells its products. SharedPhone has created an "opportunity centre" for the Delft community, which includes internet facilities and assistance in the search for employment. SharedPhone provides over 10 000 meals a month to the most impoverished children living on the Cape Flats and has initiated and supplies funding for a school feeding scheme called "Grace". The operation distributes over 50 000 meals on a monthly basis.