PART C: FINANCIAL INFORMATION – PROFIT HISTORY, FORECAST AND DIVIDEND POLICY

22. HISTORICAL FINANCIAL INFORMATION

Blue Label Telecoms, incorporated in 2006, was a dormant shelf company for a year prior to the Restructuring and will therefore not have any trading history prior to the effective date of the Restructuring. As a consequence of the Restructuring, Blue Label Telecoms will acquire the entire issued share capital of BLI, whose interests prior to the listing will include a majority shareholding in TPC, being the most material asset, together with interests in Cellfind, Datacel, Gold Label, HOBS and APS.

In order to simplify the group structure, as part of the Restructure, BLI will unbundle its interest in TPC to Blue Label Telecoms, further to which BLI will increase its shareholding in its other underlying investments to such a level which will allow the efficient unbundling of these investments as part of a group of companies. Blue Label Telecoms will acquire the remaining minorities of TPC and its other subsidiary unbundled interests, resulting in Blue Label Telecoms wholly owning the majority of its material subsidiaries.

BLI's financial statements for the three years to 31 May 2007 include the BLI Non-Core Assets and WBSH. The BLI Non-Core Assets will be disposed of to Newco, the shareholding of which will replicate that of the existing BLI shareholders. The interest in WBSH (held through Friedshelf 649) will be distributed to BLI Shareholders as a distribution *in specie*, after the settlement by Friedshelf 649 of its shareholder loans by way of WBSH shares. These investments will not form part of Blue Label Telecoms and as a result it will not be an accurate reflection to present BLI's consolidated results as historical comparatives for Blue Label Telecoms.

Due to TPC being the major operational subsidiary of Blue Label Telecoms and representing the majority of the financial performance and financial position, historically and in the forecast periods, the historical consolidated financial information of TPC have been presented. The historical consolidated financial information of TPC for the years ended 31 May 2007 and 31 May 2006 in terms of IFRS is presented in Annexure 2 A and historical consolidated financial information of TPC for the years ended 31 May 2006 and 31 May 2005 in terms of SA GAAP is presented in Annexure 2 B.

Pro forma historical financial information for the Blue Label Group for the year ended 31 May 2007 has been prepared. This *pro forma* historical financial information assumes that the Restructuring of the BLI Group was effective from 1 June 2006 for purposes of the *pro forma* income statement and as at 31 May 2007 for purposes of the *pro forma* balance sheet, and will therefore consolidate the financial performance and financial position of the Blue Label Group in its Restructured form.

All companies in the Blue Label Group, for whom historical financial information is not disclosed (i.e. all Blue Label Group companies apart from TPC) have been audited by PwC for the year ended 31 May 2007, except for HOBS which was audited by Horwath Leveton Boner. None of the Blue Label Group operating entities' audit reports were qualified or contained adverse opinions. The companies' accounts for the year ended 31 May 2007 were prepared in terms of IFRS and were reported on without modification in respect of these Blue Label Group companies.

The TPC consolidated accounts for 2007 and 2006 prepared in terms of IFRS attached as Annexure 2 A, and the TPC accounts for 2006 and 2005 prepared in terms of SA GAAP have been attached as Annexure 2 B. This information should be read in conjunction with the independent reporting accountant's reports on the historical financial information attached as Annexure 3 A and 3 B. The historical financial information is the responsibility of the Directors.

23. UNAUDITED *PRO FORMA* FINANCIAL INFORMATION

23.1 *Pro forma* financial information

The table below reflects:

- The unaudited *pro forma* profit history for the Blue Label Group for the year ended 31 May 2007, adjusted for the Restructuring for the full year from 1 June 2006 to 31 May 2007;
- the unaudited forecast consolidated income statement of the Blue Label Group for the year ending 31 May 2008; and
- the unaudited *pro forma* forecast consolidated income statement for the year ending 31 May 2008, assuming the Restructuring and Listing were effective 1 June 2007.

The *pro forma* forecast has been prepared to show the impact of the Restructuring and the Listing on the Blue Label Group forecast for the year ending 31 May 2008. The accounting policies applied in preparing the *pro forma* financial information are consistent with that applied by the Blue Label Group.

This unaudited *pro forma* financial information is presented for illustrative purposes only and because of its nature may not fairly reflect the results of the Blue Label Group going forward. The *pro forma* financial information has been extracted from Annexures 6 and 8. This information should be read in conjunction with, and is qualified in its entirety by reference to the financial statements and financial information from which it is prepared and the related notes to the *pro forma* financial information. The *pro forma* financial information is the responsibility of the directors.

	Unaudited pro forma Year ended 31 May 2007 (R)	**Unaudited forecast Year ending 31 May 2008 (R)**	**Unaudited pro forma forecast Year ending 31 May 2008 (R)**
Revenue	9 018 907 940	10 932 271 991	11 105 521 752
Other income	45 675 210	34 943 212	33 825 747
Changes in inventories of finished goods	(8 540 516 503)	(10 275 501 631)	(10 403 297 563)
Employee compensation and benefit expense	(162 534 806)	(272 751 047)	(269 054 393)
Depreciation amortisation and impairment charges	(64 654 773)	(52 258 256)	(66 933 448)
Other expenses	(103 060 451)	(124 605 223)	(126 582 457)
Operating profit	**193 816 617**	**242 099 046**	**273 479 638**
Finance costs – funding	(76 780 293)	(68 383 063)	(4 367 184)
Finance costs – Accounting standards adjustment#	(58 384 327)	(72 104 589)	(72 104 589)
Finance income	94 280 970	165 794 843	172 950 352
Share of profit of associates	(8 495 380)	28 983	(3 570 114)
Net profit for year before taxation	**144 437 587**	**267 435 220**	**366 388 103**
Taxation	(55 512 097)	(99 614 002)	(115 950 040)
Net profit for the year	**88 925 490**	**167 821 218**	**250 438 063**
Attributable to:			
Equity holders of parent	90 452 752	144 199 007	249 787 037
Minority interest	(1 527 262)	23 622 211	651 026
Reconciliation to core earnings			
Net profit attributable to equity holders	90 452 752	144 199 007	249 787 037
Settlement of onerous contract	–	9 000 000	
Intangible asset amortisation (net of tax)	33 816 762	24 073 130	33 816 761
Management bonus settlement (net of tax)	–	56 800 000	56 800 000
Core earnings	**124 269 514**	**234 072 137**	**340 403 798**
EPS (cents)	15.51	26.30	33.61
HEPS (cents)	15.51	26.30	33.61
Core EPS (cents) *	21.31	42.68	45.81
Weighted average number of shares	583 127 787	548 372 858	743 127 787

* Core EPS is calculated after adding back amortisation of intangibles assets arising as a consequence of purchase price allocations exercise in terms of IFRS 3: Business Combinations, the costs incurred in terms of the Management Bonus Settlement Agreement and the termination of the Otter Mist Trading CC consulting agreement as explained in paragraph 20.

\# This represents an accounting adjustment for the discounting of purchases on credit to their present value in line with terms provided by trade creditors.

Principal assumptions underlying the profit forecast:

The assumptions utilised in the profit forecast and the *pro forma* forecast which are considered by management to be significant or key factors upon which the results of the company will depend are disclosed below. The assumptions disclosed are not intended to be an exhaustive list. There are other routine assumptions which are not listed.

(a) The present level of interest rates will remain substantially unchanged.

(b) The present level of currency exchange rates will remain substantially unchanged.

(c) Capital raised on listing will be R1 billion. This cash raised will be used to repay the majority of interest bearing facilities as well as settle liabilities incurred due to the restructuring and listing. The balance of funds raised will be utilised to grow the operations of the Blue Label Group.

(d) No further acquisitions will take place during the period. Polsa Holdings is to be acquired in November 2007 but has not been accounted for in terms of the *pro forma*.

(e) There will be no significant changes to the current pricing structure with suppliers.

Notes to the *pro forma* income statement and the *pro forma* profit forecast are set out in Annexure 6 and 8 respectively.

23.1 Unaudited *pro forma* balance sheets

The unaudited *pro forma* balance sheet of the Blue Label Group is set out in Annexure 6 to this Pre-listing statement. This information should be read in conjunction with, and is qualified in its entirety by reference to the financial statements and financial information from which it is prepared and the related notes to the *pro forma* financial information.

24. LOAN CAPITAL AND MATERIAL LOANS

Details of the material loans to the Blue Label Group as at the Last Practicable Date are set out in Annexure 14 to this Pre-Listing Statement. No debentures have ever been issued by the Blue Label Group. The Blue Label Group does not have any material loans receivable outstanding at the Last Practicable Date. No loans have been made or security furnished by the Blue Label Group to or for the benefit of any Director or manager.

25. DIVIDENDS AND DIVIDEND POLICY

The Blue Label Group anticipates significant growth in the short term and as such Blue Label Telecoms intends that most of the cash available and cash generated by the business will be invested in the continued growth of its activities.

The Group expects to initiate a competitive dividend policy from the financial year commencing 1 June 2010, which will reflect the growth, long-term earnings and cash flow of Blue Label Telecoms, while maintaining an appropriate dividend cover. At this point in time the Board envisages the adoption of a target dividend cover of approximately three times. There is, however, no assurance that the Company will commence the payment of dividends from the financial year starting 1 June 2010. Any dividend proposed by the Board in respect of any financial period will be dependent upon the operating results, financial position, investment strategy, capital requirements and other factors.

It is anticipated that interim dividends will be paid in February and final dividends will be paid in August of each year, in the approximate proportion of one-third and two-thirds of the annual dividend, respectively.

Any dividend or other money payable on or in respect of a Blue Label Telecoms Share, which is unclaimed, may be retained and used by Blue Label Telecoms. If a dividend is retained and unclaimed for three years after the payment date, it shall revert to Blue Label Telecoms and may be dealt with by the Directors as they deem fit and may not be claimed by the Blue Label Telecoms Shareholder concerned. There is no fixed date on which entitlement to dividends arises and the date of payment will be determined by the Directors of Blue Label Telecoms Shareholders at the time of declaration, subject to the Listing Requirements.

26. MATERIAL CHANGES

The material changes to the business of Blue Label Telecoms which have taken place since its incorporation in 2006 and the Last Practicable Date relate to the acquisition of BLI, TPC and the other Blue Label Group companies in terms of the Restructuring.

27. WORKING CAPITAL

The Directors are of the opinion that in the ordinary course of the business and subsequent to the Restructuring, the working capital available to Blue Label Telecoms and its subsidiaries is sufficient for its present requirements, that is, for at least 12 months following the date of this Pre-listing Statement. The Directors are also of the opinion that the issued share capital of Blue Label Telecoms, after the Restructuring and the Private Placing, will be adequate for the purposes of the business of Blue Label Telecoms, even if only the minimum capital, as envisaged in paragraph 55, is raised.