PART D: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Detailed below is a brief analysis of the salient income statement line items which provides insight as to the growth in earnings between the historic *pro forma* income statement and the *pro forma* forecast income statement of the Blue Label Group.

The following discussion and analysis should be read together with the rest of the Pre-listing statement, including the historical financial information included in Annexure 6 and the forecast and *pro forma* forecast financial information included in Annexure 8 to this Pre-Listing Statement.

As explained in Part C to this Pre-Listing Statement, the Blue Label Group has prepared the following financial information:

- historical financial information in terms of which TPC's consolidated historic results were disclosed;
- *pro forma* Blue Label Telecoms historical financial information in terms of which historical financial information was prepared for the Blue Label Group, assuming that the Restructuring was effective from 1 June 2006;
- forecast Blue Label Telecoms financial information for the year ending 31 May 2008; and
- *pro forma* forecast Blue Label Telecoms financial information for the year ending 31 May 2008.

28. REVENUE

Years ended	Unaudited *pro forma* forecast 31 May 2008	Unaudited forecast 31 May 2008	Unaudited *pro forma* historicals 31 May 2007
Revenue	11 105 521 752	10 932 271 991	9 018 907 940
Year on year growth	23%	21%	

The anticipated growth in revenue is attributable to the continued growth in volume of airtime usage through the various prepaid airtime distribution channels. Revenue from prepaid airtime and starter pack related activities accounts for in excess of 95% of the revenue for both the historic 2007 and forecast 2008 years.

29. GROSS PROFIT

Years ended	Unaudited *pro forma* forecast 31 May 2008	Unaudited forecast 31 May 2008	Unaudited *pro forma* historicals 31 May 2007
Gross profit	702 224 189	656 770 360	478 391 437
Year on year growth	47%	37%	
Gross profit margin	6.32%	6.01%	5.30%

Gross profit margins are a function of the core business of the Blue Label Group being the distribution of prepaid airtime and starter packs, as well as the related telecommunication services performed by Cellfind and Datacel. The gross margin on the distribution of prepaid airtime and starter packs is reliant on significant volumes of transactions, whilst the gross margins on the telecommunication services are significantly higher due to the lower cost of generating revenue.

Gross profit margins associated with telecommunication distribution increased by approximately 18% year on year, and similarly the gross profit margin on telecommunication services increased by approximately 73% year on year due to the significant increase in revenue in these related services.

30. OPERATING PROFIT

Years ended	Unaudited *pro forma* forecast 31 May 2008	Unaudited forecast 31 May 2008	Unaudited *pro forma* historicals 31 May 2007
Operating profit	273 479 638	242 099 046	193 816 617
Accounting standards adjustment relating to the adjustment for the discounting of purchases on credit to their present value in line with terms provided by trade creditors.	(72 104 589)	(72 104 589)	(58 384 327)
	201 375 049	169 994 457	135 432 290
Year on year growth	49%	26%	

The increase in operating profits is a function of the increase in gross profit margins and the associated costs explained below:

31. OPERATING COSTS

Years ended	Unaudited *pro forma* forecast 31 May 2008	Unaudited forecast 31 May 2008	Unaudited *pro forma* historicals 31 May 2007
Operating costs	126 582 457	124 605 223	103 060 451
Year on year growth	23%	21%	

The increase over and above anticipated inflation is due to certain costs pertaining to a listed vehicle which historically were not incurred as well as a once off payment relating to the cancellation of the contract with Otter Mist as referred to in paragraph 20.

32. DEPRECIATION, AMORTISATION AND IMPAIRMENT CHARGES

Years ended	Unaudited *pro forma* forecast 31 May 2008	Unaudited forecast 31 May 2008	Unaudited *pro forma* historicals 31 May 2007
Depreciation, amortisation and impairment charges	66 933 448	52 258 256	64 654 773
Year on year growth	4%	(19%)	

On a like for like basis depreciation and amortisation would have increased by 4% which is in line with the capital expenditure budgets.

33. EMPLOYEE COSTS

Years ended	Unaudited *pro forma* forecast 31 May 2008	Unaudited forecast 31 May 2008	Unaudited *pro forma* historicals 31 May 2007
Employee costs	269 054 393	272 751 047	162 534 806
Year on year growth	66%	68%	

A once off management bonus in lieu of the Management Bonus Settlement Agreement, as explained in paragraph 20.1, of R80 million before tax. The year on year growth in employee costs after deducting this once off payment therefore amounts to 12% when comparing *pro forma* forecast to *pro forma* historicals. This is due to a combination of standard salary increases, increased staff to support growth and directors fees which were previously not incurred in the non-listed vehicle.

34. FINANCE INCOME/(COSTS)

Years ended	Unaudited *pro forma* forecast 31 May 2008	Unaudited forecast 31 May 2008	Unaudited *pro forma* historicals 31 May 2007
Finance income	172 950 352	165 794 843	94 280 970
Year on year growth	83%	76%	
Finance costs – funding	(4 367 184)	(68 383 063)	(76 780 293)
Finance costs – accounting standards adjustment relating to the adjustment for the discounting of purchases on credit to their present value in line with terms provided by trade creditors.	(72 104 589)	(72 104 589)	(58 384 327)

The capital raised on listing and positive cash flow generated throughout the year will result in the elimination of the bulk of interest bearing debt and facilitate investment of excess funds in interest bearing instruments.

35. SHARE OF PROFIT/(LOSS) FROM ASSOCIATES AND JOINT VENTURES

Years ended	Unaudited *pro forma* forecast 31 May 2008	Unaudited forecast 31 May 2008	Unaudited *pro forma* historicals 31 May 2007
Share of profit/(loss) from associates	(3 570 114)	28 983	(8 495 380)
Year on year growth	(58%)	(100%)	
Share of loss from India	(4 683 961)	(4 683 961)	(8 495 380)
Year on year growth	45%	45%	
Share of profits from other associates and joint ventures	1 113 847	1 011 028	–
Share of profits from associates that subsequently became subsidiaries on listing	–	3 701 915	–

The nature of the business model in Oxigen India embodies a substantial infrastructure creation and asset funding process in order to provide the platform for distribution. The decline of losses incurred is as a result of continued growth in terminal roll-outs which impact directly on increased volumes in the sale of prepaid airtime and related products. The terminal roll-out is expected to increase from 26 000 to 54 000 over the financial year.

The share of profits from other associates in the forecast include associates that will become subsidiaries on listing and are therefore not included in the *pro forma* forecast.

36. TAXATION

Years ended	Unaudited *pro forma* forecast 31 May 2008	Unaudited forecast 31 May 2008	Unaudited *pro forma* historicals 31 May 2007
Taxation	115 950 040	99 614 002	55 512 097
Effective tax rate	32%	41%	38%

As a result of non-deductible expenditure in the listed vehicle the effective tax rate has increased.

37. NET INCOME AFTER TAXATION ACCORDING TO SEGMENTAL BUSINESS SPLIT

Years ended	Unaudited *pro forma* forecast 31 May 2008	Unaudited forecast 31 May 2008	Unaudited *pro forma* historicals 31 May 2007
Total for Blue Label Group	249 787 037	144 199 007	90 452 752
Telecommunication distribution	293 063 853	245 692 003	95 322 132
Telecommunication services	56 634 555	45 204 076	16 134 318
Technology	(16 290 037)	(16 290 037)	(2 576 423)
Corporate	(83 621 334)	(130 407 035)	(18 427 275)