

---

## THREE YEARS CONSOLIDATED HISTORICAL FINANCIAL INFORMATION OF THE PREPAID COMPANY (PROPRIETARY) LIMITED

---

### I. INTRODUCTION

The historical financial information of TPC, set out below, has been extracted from the audited annual financial statements of TPC for the years ended 31 May 2007, 31 May 2006 and 31 May 2005. TPC's transition date to IFRS was 1 June 2005. TPC has reported under IFRS for the year ended 31 May 2007 with comparative information for 31 May 2006. TPC reported under SA GAAP for the year ended 31 May 2006 with comparative information for 31 May 2005. The historic financial information of TPC, in terms of IFRS, for the years ended 31 May 2007 and 31 May 2006 is presented in Annexure 2 A below. The historical financial information for TPC, in terms of SA GAAP, for the years ended 31 May 2006 and 31 May 2005 is presented in Annexure 2 B below. The historical financial information has been prepared in accordance with and by applying the accounting policies of Blue Label Telecoms.

Please note that the historical information presented in Annexure 2 A was prepared in terms of IFRS, while the historical financial information presented in Annexure 2 B was prepared in term of SA GAAP and as such the two sets of information will not be directly comparable. Please refer to paragraph 3 of Annexure 2 A for a reconciliation between IFRS and SA GAAP.

PricewaterhouseCoopers Incorporated has been the auditors of TPC for all of the abovementioned periods.

### 2. COMMENTARY

In 2005, TPC acquired 60% of Kwikpay SA (Proprietary) Limited and 50% of Sharedphone International (Proprietary) Limited. TPC sold 60% of CGS (Proprietary) Limited, an ultimate subsidiary of TPC, to Transunion Incorporated. Revenue growth between 2004 and 2005 was 15.63%. Operating margins decreased slightly from 2.12% to 2.03% due to an increase in operating costs as a result of additional costs assumed post the acquisitions.

Between 2006 and 2007 TPC has made various additional strategic acquisitions to strengthen its position in the market. TPC has taken advantage of the synergies which exist within the company and its subsidiaries, thus contributing to the significant growth experienced by TPC. In addition to this, TPC has also experienced an increase in operating and employee costs due to these acquisitions as well as organic growth.

Interest bearing debt has escalated over these periods. The additional funds were utilised mainly for working capital requirements to fund the rising demand for airtime. This is evidenced by the increase in revenues. The increase in finance costs is in line with the augmented levels of interest bearing debt.

Intangible assets have increased largely due to the accounting standards requiring purchase price allocations to be performed in respect of all business combinations. This has resulted in additional amortisation charges.

Loans receivable have decreased as funds that were due from third parties have been repaid. This cash has been utilised in the operations of the group to fund expansion.

Cash and cash equivalents have increased year on year due to the improvement in the working capital cycle with extended credit terms granted by major suppliers being a sizeable contributor. The increase in finance income is in line with the improved levels of cash and cash equivalents.

## HISTORICAL FINANCIAL INFORMATION FOR THE PREPAID COMPANY (PROPRIETARY) LIMITED FOR THE YEARS ENDED 31 MAY 2007 AND 31 MAY 2006, IN TERMS OF IFRS

### CONSOLIDATED BALANCE SHEET

	Notes	2007 R	2006 R
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>157 796 967</b>	<b>145 344 331</b>
Property, plant and equipment	4	36 913 638	29 816 983
Intangible assets	5	118 604 297	105 840 861
Investment in associates	6.1	2 278 872	9 686 487
Investment in joint ventures	6.2	160	–
<b>Current assets</b>		<b>1 755 652 971</b>	<b>1 222 527 605</b>
Financial assets at fair value through profit or loss	6.3	16 181 966	12 168 219
Inventories	7	260 933 108	213 589 251
Loans receivable	8	8 624 344	104 897 473
Intangible assets	5	84 382 669	39 059 824
Trade and other receivables	9	280 152 682	135 051 057
Cash and cash equivalents	10	1 105 378 202	717 761 781
<b>Total assets</b>		<b>1 913 449 938</b>	<b>1 367 871 936</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>		<b>341 191 842</b>	<b>208 069 786</b>
Share capital	11	100	100
Retained earnings		301 719 833	175 433 168
Minorities interest		39 471 909	32 636 518
<b>Non-current liabilities</b>		<b>285 214 756</b>	<b>67 370 597</b>
Interest bearing borrowings	12	264 543 648	48 712 568
Deferred tax	13	20 671 108	18 658 029
<b>Current liabilities</b>		<b>1 287 043 340</b>	<b>1 092 431 553</b>
Shareholder's loan	14	49 000 000	49 000 000
Trade and other payables	15	879 584 231	800 694 014
Non-interest bearing borrowings	16	23 895 160	29 871 250
Taxation		32 324 295	12 568 352
Current portion of interest bearing borrowings	12	302 239 654	200 297 937
<b>Total equity and liabilities</b>		<b>1 913 449 938</b>	<b>1 367 871 936</b>

## CONSOLIDATED INCOME STATEMENT

	Notes	2007 R	2006 R
Revenue		8 868 334 609	5 450 588 943
Other income		33 968 868	34 051 898
Cost of inventories sold		(8 445 972 289)	(5 225 839 595)
Employee compensation and benefit expense		(120 538 950)	(49 798 173)
Depreciation, amortisation and impairment charges		(28 928 811)	(18 915 182)
Other expenses		(74 745 566)	(55 580 145)
<b>Operating profit</b>	17	<b>232 117 861</b>	<b>134 507 746</b>
Finance cost – net	18	(46 541 189)	(26 190 377)
Share of profit of associates	6.1	3 328 565	2 848 682
<b>Profit for year before taxation</b>		<b>188 905 237</b>	<b>111 166 051</b>
Taxation	19	(53 853 307)	(27 107 071)
<b>Net profit for the year</b>		<b>135 051 930</b>	<b>84 058 980</b>
Attributable to:			
Equity holders of parent		126 635 112	76 829 534
Minority interest		8 416 818	7 229 446
Earnings per share for profit attributable to equity holders of the company			
– basic	21.1	12 664	7 683
– headline	21.2	11 992	6 932

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Notes	Share capital R	Retained earnings R	Minority interest R	Total equity R
<b>Balance at 1 June 2005</b>		<b>100</b>	<b>98 848 634</b>	<b>11 357 483</b>	<b>110 206 217</b>
Net profit for the year		–	76 829 534	7 229 446	84 058 980
Dividends		–	(245 000)	–	(245 000)
Minorities acquired during the year	22.3	–	–	14 049 589	14 049 589
<b>Balance at 1 June 2006</b>		<b>100</b>	<b>175 433 168</b>	<b>32 636 518</b>	<b>208 069 786</b>
Net profit for the year		–	126 635 112	8 416 818	135 051 930
Dividends		–	(348 447)	–	(348 447)
Minorities acquired during the year	22.3	–	–	(1 581 427)	(1 581 427)
<b>Balance at 31 May 2007</b>		<b>100</b>	<b>301 719 833</b>	<b>39 471 909</b>	<b>341 191 842</b>

## CONSOLIDATED CASH FLOW STATEMENT

	Notes	2007 R	2006 R
<b>Cash flows from operating activities</b>		<b>(792 622)</b>	<b>560 830 674</b>
Cash received from customers		8 723 356 892	5 495 827 731
Cash paid to suppliers and employees		(8 641 458 378)	(4 892 913 072)
Cash generated by operations	22.1	81 898 514	602 914 659
Interest received		93 712 305	34 398 401
Interest paid		(140 253 494)	(60 588 778)
Dividends paid		–	(245 000)
Taxation paid	22.2	(36 149 947)	(15 648 608)
<b>Cash flows from investing activities</b>		<b>79 702 825</b>	<b>(102 326 899)</b>
Proceeds on disposal of intangibles		–	3 956 756
Intangible assets acquired		(8 041 674)	–
Property, plant and equipment acquired		(19 823 477)	(16 298 219)
Proceeds of disposals of property, plant and equipment		4 757 783	7 863 713
Proceeds on disposal of associate		17 160 000	1 050 000
Acquisition of subsidiaries net of cash acquired	22.3	(14 842 159)	(34 997 174)
Purchase of financial assets at fair value through profit and loss		(7 560 000)	(7 646 050)
Proceeds on disposal of financial assets at fair value through profit and loss		6 844 367	–
Proceeds on disposal of subsidiary	22.4	–	724 655
Acquisition of joint venture		(160)	–
Loans repaid/(advanced)		96 121 417	(57 310 580)
Dividends received		510 000	330 000
Loan repaid by associate		4 576 728	–
<b>Cash flows from financing activities</b>		<b>308 706 218</b>	<b>234 261 491</b>
Proceeds from interest bearing borrowings		314 682 308	205 728 294
(Repayment of)/proceeds from non-interest bearing borrowings		(5 976 090)	28 533 197
<b>Increase in cash and cash equivalents</b>		<b>387 616 421</b>	<b>692 765 266</b>
Cash and cash equivalents at beginning of year		717 761 781	24 996 515
<b>Cash and cash equivalents at end of year</b>	10	<b>I 1 053 782 202</b>	<b>717 761 781</b>

## ACCOUNTING POLICIES

### I. SIGNIFICANT ACCOUNTING POLICIES

#### Statement of compliance

The annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB") and the Companies Act, No. 61 of 1973, as amended. These financial statements are the group's first financial statements prepared in accordance with IFRS, issued and effective as at 31 May 2007, and issued and early adopted, and are covered by IFRS 1 – First time Adoption of IFRS. The group has early adopted IFRS 8 – Operating Segments.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the group is provided in note 3.

#### Basis of preparation

The group annual financial statements are prepared under the historical cost convention, as modified by the revaluation of certain financial instruments. 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.

The accounting policies set out below have been applied consistently for all periods presented in the annual financial statements, and in preparing the opening IFRS balance sheets at 1 June 2005 for the purposes of the transition to IFRS.

#### Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 November 2006 or later periods, but which the group has not early adopted are as follows:

##### *IFRS 7: Financial Instruments: Disclosures (effective 1 January 2007)*

IFRS 7 includes all of the disclosure requirements relating to financial instruments and will replace the disclosure section of IAS 32: Financial Instruments: Disclosure and Presentation and all of IAS 30: Disclosures in the Financial Statements of Banks and Similar Financial Institutions. IAS 32 will then contain only presentation requirements for financial instruments.

##### *Amendment to IAS 1 Presentation of Financial Statements – Capital disclosures (effective 1 January 2007)*

This amendment to IAS 1 Presentation of Financial Statements requires entities to disclose information that enables readers to evaluate the entity's objectives, policies and processes for managing capital. The disclosures are based on information provided internally to key management personnel.

##### *IAS 23 (Revised): Borrowing costs (effective 1 January 2009)*

The amendment eliminates the option in IAS 23 of recognising immediately as an expense borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset

##### *IFRIC 10: Interim Financial Reporting and Impairment (effective 1 November 2006)*

The interpretation is intended to address the conflict between the requirements of IAS 34 and other standards on the recognition and reversal of impairment losses. IFRIC 10 states that an impairment loss recognised in a previous interim period, in respect of goodwill, investments in equity instruments classified as available-for-sale and investments in financial assets carried at cost, cannot be reversed at a subsequent balance sheet date.

#### *IFRIC 11: IFRS 2 – Group and Treasury Share Transactions (effective 1 March 2007)*

The interpretation addresses how to apply IFRS 2 to share-based payment arrangements in three circumstances:

- Share-based payments in which an entity receives goods or services as consideration for its own equity instruments are to be accounted for as an equity-settled share-based payment, regardless of how the equity instruments are obtained.
- When a parent grants rights to its equity to employees of a subsidiary company and the transaction is accounted for as equity-settled in the consolidated financial statements, the transaction is to be accounted for as an equity-settled share-based payment by the subsidiary.
- When a subsidiary grants equity instruments in its parent company to employees, the subsidiary accounts for the transaction as a cash-settled share-based payment and the group accounts for these as equity-settled in the consolidated financial statements.

#### *IFRIC 12: Service Concession Arrangements (effective 1 January 2008)*

The interpretation addresses the accounting for private sector operations involved in the provision of public sector infrastructure and services, such as schools and roads.

#### *IFRIC 13: Customer Loyalty Programmes (effective 1 July 2008)*

The main issue addressed in the interpretation is the recognition and measurement of an entity's obligations to provide customers with either free or discounted goods or services when and if customers redeem the award credits. Customer loyalty programmes should be accounted for as multiple element transactions as discussed in IAS 18 – Revenue which specifies that the revenue recognition criteria should be applied to the separately identifiable components of a single transaction in order to reflect the substance of the transaction. Therefore an element of revenue received on the sale of goods/services with award credits needs to be deferred where it relates to award credits to be redeemed in the future. Estimates will also need to be made (and reassessed) in terms of the number of award credits likely to be redeemed/forfeited. The consideration allocated to the award credits shall be measured by reference to their fair value.

#### *IFRIC 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The interpretation applies to all post-employment defined benefits and other long-term employee defined benefits and addresses when refunds or reductions in future contributions should be regarded as available, how a minimum funding requirement might affect the availability of reductions in future contributions and when a minimum funding requirement might give rise to a liability.

The application of these IFRS standards, amendments to the standards and interpretations in future financial reporting periods is not expected to have a material impact on the group's reported results. Changes to and an increased level of disclosure can be expected in future years, particularly on adoption of IFRS 7.

The group has early adopted IFRS 8 – Operating Segments. The standard requires the segmental disclosures to be reported based on the "management approach". The reporting would be based on the information that management uses internally for evaluating segment performance and when deciding to allocate resources to operating segments. IFRS 8 will supersede the current standard dealing with segmental reporting, IAS 14. The standard has not had a financial impact and only related to disclosure requirements.

## **Basis of consolidation**

### *Subsidiaries*

Subsidiaries are all entities (including Special Purpose Entities) in which the group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies.

The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the group controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued, or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless costs cannot be recovered. The interests of minority shareholders in the

consolidated equity and results of the group are shown separately in the consolidated balance sheet and income statement, respectively. Where the losses attributable to the minority shareholders in a consolidated subsidiary exceed their interest in that subsidiary, the excess, and any further losses attributable to them, are recognised by the group and allocated to those minority interests only to the extent that the minority shareholders have a binding obligation and are able to fund the losses. Where the group previously did not recognise the minority shareholders' portion of losses and the subsidiary subsequently turns profitable, the group recognises all the profits until the minority shareholders' share of losses previously absorbed by the group has been recovered.

Minority interest is stated at the minority's proportion of the fair values of the identifiable assets and liabilities recognised. The group applies the parent company model in accounting for transactions with minority shareholders. Under the parent company method, the acquisition of a minority is treated as giving rise to additional economic interest held by the group, or by the parent company's equity shareholders. A purchase will generally result in additional goodwill. Disposal to a minority is treated as giving rise to gains and losses which are recognised in the income statement. This is because the group, through the parent company shareholders, are considered to have received or given up value.

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

#### *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 by the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

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

A listing of the group's principal subsidiaries and associates is set out in note 26 to the financial statements. The financial effects of the acquisition and disposal of the subsidiaries and associates are separately disclosed in the notes to the financial statements.

#### *Joint ventures*

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

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

### **Foreign currencies**

#### *(a) Functional and presentation currency*

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Rands, which is the company'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 income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale equity reserve

(c) *Group companies*

The results and financial position of associates (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:

- (i) assets and liabilities are translated at the closing rate at the date of that balance sheet; and
- (ii) 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
- (iii) 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 shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement 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 balance sheet include cash and bank balances, investments, receivables, payables, borrowings and derivatives. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

The 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 balance sheet 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) is removed from its balance sheet when, and only when, it is extinguished – i.e. when the obligation specified in the contract is discharged or cancelled or expires.

## **Financial assets**

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

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

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

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

(b) *Loans and receivables*

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

(c) *Available-for-sale financial assets*

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

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

### **Impairment of financial assets**

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

(a) *Financial assets carried at amortised cost*

The group assesses at each balance sheet 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 company about the following events:

- significant financial difficulty of the debtor
- a breach of contract, such as default or delinquency in payments
- it becoming probable that the debtor 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 effective interest rate. The amount of the provision is recognised as a charge in the income statement.

(b) *Financial assets carried at fair value*

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

### **Financial liabilities and equity**

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

Refer to accounting policies on borrowings and trade payables for financial liabilities, 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.

## **Derivative financial instruments**

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Certain derivative instruments do not qualify for hedge accounting and are accounted for at fair value through profit or loss. Changes in the fair value of these derivative instruments that do not qualify are recognised immediately in the income statement.

## **Property, plant and equipment**

Property, plant and equipment are initially recorded at cost, being the purchase cost plus any cost to prepare the assets for their intended use. 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 income statement during the financial period in which they are incurred.

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

Property, plant and equipment, with the exception of land, are depreciated in equal annual amounts over each asset's estimated useful life. Land is not depreciated as it is deemed to have an indefinite 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	20%
Computer equipment	33.33%
Electronic terminals	20% – 33.33%
Security equipment	20%
Vending machines	16.67%
Media equipment	33.33%
Plant and machinery	20%
Buildings	5%

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 not capitalised as part of the cost of those assets. All borrowing costs are expensed under the benchmark treatment, in the period in which they are incurred.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate at each balance sheet date.

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 development*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (3 years).

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads. Costs associated with the maintenance of existing computer software programmes are expensed as incurred.

Computer software development costs recognised as assets are amortised over their estimated useful lives.

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

### (b) *Trademarks and licences*

Trademarks and licences are shown at historical cost. Trademarks and licences have a definite 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 and licences over their estimated useful lives (10 years).

### (c) *Databases, customer listings and distribution agreements*

Databases, customer listings and distribution agreements 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 (3 – 5 years).

### (d) *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 intend to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available and;
- the expenditure attributable to the intangible asset during its development can be reliably measured.

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

### (e) *Starter packs*

Starter packs are issued by the various cellphone networks as an entry mechanism to the network. The cellphone networks provide various types of starter packs of which some types include airtime. Starter packs are recognised as an intangible asset at cost and are subsequently recognised at cost less accumulated amortisation and accumulated impairment. The starter packs are amortised as activation occurs and the economic benefits are consumed. In addition where these starter packs are not activated at year-end, the group assesses whether there are any indicators of impairment.

Impairment of starter packs is calculated using historical activation trends.

### (f) *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 of the subsidiary, associate or jointly controlled entity at the date of acquisition.

If the cost of acquisition is less than the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Goodwill on the acquisition of subsidiaries is included in "Goodwill" in the balance sheet. Goodwill on acquisitions of associates and joint ventures is included in "investments in associates", and "investments in joint ventures" respectively.

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

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

### **Impairment of non-financial assets**

The group evaluates the carrying value of assets with finite useful lives when events and circumstances indicate that the carrying value may not be recoverable. 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 income statement 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 income statement in the same line item as the original impairment charge.

### **Leased assets**

#### *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 income statement 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.

#### *Operating leases*

Leases in which all 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 income statement 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.

### **Inventories**

Inventories are stated at the lower of cost or estimated net realisable value. Cost comprises direct materials and, where applicable, overheads that have been incurred in bringing the inventories to their present location and condition, excluding borrowing costs. The cost of the inventory is determined by means of the weighted average cost basis method for inventory. 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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest 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 effective interest rate. The amount of the provision is recognised in the income statement.

## **Cash and cash equivalents**

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

## **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 in equity.

## **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 income statement over the period of the borrowings using the effective interest method.

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

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 the balance sheet date.

## **Deferred taxation**

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

## **Secondary tax on companies ("STC")**

South African companies are subject to a dual corporate tax system, one part of the tax being levied on the taxable income and the other, a secondary tax (STC) on distributed income. STC is not a withholding tax on shareholders but a tax on companies.

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

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

### **Trade payables**

Trade payables are initially measured 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.

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

(a) *Sale of starter packs*

Activation bonuses received from the networks are recognised when the simcard is activated on the relevant cellular phone network. Ongoing rebates and other incentives are recognised once certain criteria have been met and the significant act has been completed.

(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.

(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.

(d) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest 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.

(e) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

### **Employee benefits**

(a) *Defined contribution plans*

A defined contribution plan is one under which the group pays a fixed percentage of employees' remuneration as contributions into a separate entity (a fund), and will have no further legal or constructive obligations to pay additional contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Contributions to defined contribution plans in respect of services rendered during a period are recognised as an employee benefit expense when they are due. The group does not have any defined benefit plans.

(b) *Profit sharing and bonus plans*

The group recognises a liability and an expense for bonuses and profit-sharing which is determined based on a formula that takes into consideration the profit attributable to the shareholders after certain adjustments. A provision is recognised where the group is contractually obliged or where there is a past practice that has created a constructive obligation.

## **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.

## **Financial risk management**

### *(a) Interest rate risk*

The group's interest rate risk arises mainly from interest bearing borrowings, loans and other non-current receivables. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. The group currently has no significant exposure to borrowings with fixed rate instruments.

The group manages its cash flow interest rate risk by maintaining a mix between fixed and variable rate borrowings. The group's exposure to interest rate risk is reflected under the respective borrowings and loans and other non-current receivables (notes 12 and 8).

### *(b) Credit risk*

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. Individual credit limits are set for each customer and the utilisation of these credit limits is regularly monitored. Where necessary, provision is made for specific and general doubtful accounts.

The group places cash and cash equivalents mainly 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 group has no significant concentrations of credit risk.

### *(c) Liquidity risk*

Prudent liquidity risk management implies 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 company aims to maintaining flexibility in funding by keeping committed credit lines available.

### *(d) Foreign exchange risk*

The group does not have any significant foreign currency exposure.

## **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) Estimated impairment of goodwill*

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.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The recoverable amount of CGUs has been determined based on value-in-use calculations, which is the higher of fair value less cost to sell and value in use. These calculations use cash flow projections based on financial budgets approved by the board of the 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 valuation of the goodwill balances resulted in a goodwill impairment charge of Rnil for the year (2006: R142 320).

### *(b) Intangible assets impairment of starter packs*

The group assess at each balance sheet date whether there are any indicators of impairment. Indicators of impairment include non-activation of the starter packs, as significant revenue are only earned once activated. This would therefore indicate that the group will not receive future economic benefits from the activation of the starter pack. Impairment of starter packs is calculated using historical activation trends.



(c) *Capitalisation of development cost*

The group capitalises development relating to software development. Costs incurred on development projects of identifiable and unique products which are controlled by the group are recognised as intangible assets when it is probable that the project will be profitable considering its commercial and technical feasibility and its costs can be measured reliably and when the costs can be reliably measured. Management makes some estimates on the technical feasibility of project and based on the estimates and the recognition criteria, cost are capitalised.

(d) *Contingent consideration for acquisitions*

Contingent payments for business acquisitions are generally conditional on the future revenue and/or profits achieved by the acquired business. On acquisition date, estimates are made of the expected future revenue and profit based on forecasts made by management. These estimates are reassessed at each reporting date and adjustments are made to the deferred consideration and related goodwill balances, where necessary. Amounts of deferred consideration payable after one year are discounted using discount rates that reflect the current market assessment of the time value of money and, where appropriate, the risks specific to the acquired business.

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

### 3. IFRS ADJUSTMENTS

#### 3.1 **Explanation of transition to IFRS**

##### **Basis of transition to IFRS**

These are the group's first financial statements prepared in accordance with IFRS. The group has applied IFRS 1 in preparing these consolidated financial statements and the accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 May 2007 and the comparative information presented in these financial statements for the year ended 31 May 2006. There were no adjustments required to the opening IFRS balance sheet as at 1 June 2005 (the date of the group's transition to IFRS).

In preparing its first financial statements prepared in accordance with IFRS, the group has adjusted amounts reported previously in financial statements prepared in accordance with South African Generally Accepted Accounting Principles ("SA GAAP"). An explanation of how the transition from SA GAAP to IFRS has affected the group's financial position and financial performance is set out in the following tables and the notes that accompany the tables. There was no impact of transition to IFRS on the cash flow statement.

In preparing these consolidated financial statements in accordance with IFRS 1, the group has applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of IFRS.

##### **Exemptions from full retrospective application – elected by the Group**

The group has elected to apply the following optional exemptions from full retrospective application:

(i) *Business combinations exemption*

The group has applied the business combinations exemption in IFRS 1. It has not restated business combinations that took place prior to 31 October 2004, a date elected prior to the transition date.

##### **Exceptions from full retrospective application – followed by the Group**

The group has applied the following mandatory exceptions from retrospective application:

(i) *Derecognition of financial assets and liabilities exception*

Financial assets and liabilities derecognised before 1 January 2004 are not re-recognised under IFRS.

(ii) *Hedge accounting exception*

This exception requires the group to claim hedge accounting only if the hedge relationship meets all the hedge accounting criteria under IAS 39. The group has not applied hedge accounting and as such there is no effect from applying this exception.

(iii) *Estimates exception*

Estimates under IFRS at 1 June 2005 are consistent with estimates made for the same date under SA GAAP. The group therefore did not adjust any estimates it had made under SA GAAP for information that was received subsequent to the date of the transition to IFRS.

(iv) *Assets held for sale and discontinued operations exception*

The group applied IFRS 5 retrospectively from 1 June 2005, the transition date. The group did not have any assets that met the held-for-sale criteria during the period presented. No adjustment was therefore required.

### Effect of transition to IFRS

A summary of the changes made due to adopting IFRS are given below. Refer to the tables for the value of those adjustments:

- (a) IAS 39 – Financial Instruments: Recognition and Measurement requires that trade receivables should be accounted for at amortised cost. The adjustment reflects the effect of discounting trade receivables where payment terms are provided.
- (b) IAS 39 – Financial Instruments: Recognition and Measurement requires that trade payables should be accounted for at amortised cost. The adjustment reflects the effect of discounting trade payables where payment terms are provided.
- (c) Investment property was reclassified as buildings carried at cost and any profit recognised previously was reversed.
- (d) IAS 16 – Property, plant and equipment requires that the useful lives of the individual components of property, plant and equipment items be reviewed at least annually, whereas the requirement under SA GAAP was to review the useful lives of the items on a non-mandatory periodic basis. The group has reassessed the useful lives of all individual components of property, plant and equipment and adjusted the carrying amount of some items at the date of transition accordingly.
- (e) The resulting tax on the above adjustments was adjusted for.
- (f) Minorities share of the above adjustments was adjusted for.

## 3.2 IFRS adjustments

### Reconciliation of net income for the year ended 31 May 2006

	Notes	SA GAAP year ended 31 May 2006 R	Effect of transition to IFRS R	IFRS year ended 31 May 2006 R
<b>Revenue</b>	(a)	5 454 932 264	(4 343 321)	5 450 588 943
Other income	(c)	35 423 137	(1 371 239)	34 051 898
Cost of inventories sold	(b)	(5 260 568 556)	34 728 961	(5 225 839 595)
Employee compensation and benefits		(49 798 173)	–	(49 798 173)
Depreciation, amortisation and impairment charges	(c) (d)	(18 901 612)	(13 569)	(18 915 181)
Other expenses		(55 580 146)	–	(55 580 146)
<b>Operating profit</b>		<b>105 506 914</b>	<b>29 000 832</b>	<b>134 507 746</b>
Finance income/(costs)	(a) (b)	4 143 319	(30 333 696)	(26 190 377)
Share of profit of associates		2 848 682	–	2 848 682
<b>Profit for the year before taxation</b>		<b>112 498 915</b>	<b>(1 332 864)</b>	<b>111 166 051</b>
Taxation	(e)	(27 210 879)	103 808	(27 107 071)
<b>Net profit for the year</b>		<b>85 288 036</b>	<b>(1 229 056)</b>	<b>84 058 980</b>
Attributable to:				
Equity holders of parent		77 566 968	(737 434)	76 829 534
Minority interest	(f)	7 721 068	(491 622)	7 229 446

## Reconciliation of equity at 31 May 2006

	Notes	SA GAAP year ended 31 May 2006 R	Effect of transition to IFRS R	IFRS year ended 31 May 2006 R
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	(c) (d)	30 639 583	(822 600)	29 816 983
Intangible assets	(d)	106 048 160	(207 299)	105 840 861
Investments in associates		9 686 487	–	9 686 487
Loans receivable		104 897 473	–	104 897 473
		251 271 703	(1 029 899)	250 241 804
<b>Current assets</b>				
Financial assets at fair value through profit or loss		12 168 219	–	12 168 219
Inventories		213 589 251	–	213 589 251
Intangible assets		39 059 824	–	39 059 824
Trade and other receivables	(a)	135 405 966	(354 909)	135 051 057
Cash and cash equivalents		717 761 781	–	717 761 781
		1 117 985 041	(354 909)	1 117 630 132
<b>Total assets</b>		<b>1 369 256 744</b>	<b>(1 384 808)</b>	<b>1 367 871 936</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>				
Share capital		100	–	100
Retained earnings		176 170 602	(737 434)	175 433 168
Minority interest	(f)	33 128 140	(491 622)	32 636 518
		209 298 842	(1 229 056)	208 069 786
<b>Non-current liabilities</b>				
Interest bearing borrowings		48 712 568	–	48 712 568
Non-interest bearing borrowings		29 521 250	–	29 521 250
Deferred tax	(e)	18 761 837	(103 808)	18 658 029
		96 995 655	(103 808)	96 891 847
<b>Current liabilities</b>				
Shareholder's loan		49 000 000	–	49 000 000
Trade and other payables	(b)	800 745 958	(51 944)	800 694 014
Taxation		12 568 352	–	12 568 352
Current portion of interest bearing borrowings		200 297 937	–	200 297 937
Current portion of non interest bearing borrowings		350 000	–	350 000
		1 062 962 247	(51 944)	1 062 910 303
<b>Total equity and liabilities</b>		<b>1 369 256 744</b>	<b>(1 384 808)</b>	<b>1 367 871 936</b>

#### 4. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment R	Furniture and fittings R	Motor vehicles R	Office equipment R	Terminals R	Security equipment R	Leasehold improvements R	Vending machine R	Media equipment R	Plant and machinery R	Buildings R	Total R
<b>2007</b>												
<b>Cost</b>												
Opening balance at 1 June 2006	10 729 909	2 067 097	7 587 658	1 851 451	5 367 366	78 637	185 565	7 002 655	2 100 360	104 923	4 491 842	41 567 463
Current additions	3 406 223	576 502	4 111 165	604 690	1 220 204	—	224 532	10 049 795	944 395	6 710	—	21 144 216
Disposal	(259 011)	(77 922)	(2 491 247)	(117 933)	(22 543)	—	—	(1 675 108)	(173 147)	(69 500)	—	(4 886 411)
Closing balance at 31 May 2007	13 877 121	2 565 677	9 207 576	2 338 208	6 565 027	78 637	410 097	15 377 342	2 871 608	42 133	4 491 842	57 825 268
<b>Accumulated depreciation</b>												
Opening balances at 1 June 2006	5 359 349	439 246	1 470 643	969 089	3 169 932	78 637	10 924	94 291	82 804	2 135	73 430	11 750 480
Depreciation charge	2 922 127	466 839	1 699 981	422 936	794 038	—	68 841	2 000 357	1 140 906	33 479	164 106	9 713 610
Disposal	(864)	—	(534 218)	—	—	—	—	—	—	(17 378)	—	(552 460)
Closing balance at 31 May 2007	8 280 612	906 085	2 636 406	1 392 025	3 963 970	78 637	79 765	2 094 648	1 223 710	18 236	237 536	20 911 630
Net book value at 1 June 2006	5 370 560	1 627 851	6 117 015	882 362	2 197 434	—	174 641	6 908 364	2 017 556	102 788	4 418 412	29 816 983
Net book value at 31 May 2007	5 596 509	1 659 592	6 571 170	946 183	2 601 057	—	330 332	13 282 694	1 647 898	23 897	4 254 306	36 913 638
<b>2006</b>												
<b>Cost</b>												
Opening balance at 1 June 2005	6 160 021	807 821	3 231 824	1 459 727	4 524 561	78 637	—	—	—	—	7 789 861	24 052 452
Current additions	5 488 174	1 243 574	4 790 908	533 055	2 341 146	—	185 565	7 002 655	2 100 360	104 923	4 481 380	28 271 740
Disposal	(902 584)	—	(435 074)	(141 331)	(1 498 341)	—	—	—	—	—	(7 779 399)	(10 756 729)
Transfers	(15 702)	15 702	—	—	—	—	—	—	—	—	—	—
Closing balance at 31 May 2006	10 729 909	2 067 097	7 587 658	1 851 451	5 367 366	78 637	185 565	7 002 655	2 100 360	104 923	4 491 842	41 567 463
<b>Accumulated depreciation</b>												
Opening balances at 1 June 2005	3 459 599	202 250	852 765	406 214	1 573 865	38 416	—	—	—	—	129 177	6 662 286
Depreciation charge	2 111 181	244 794	727 163	570 742	1 776 081	40 221	10 924	94 291	82 804	2 135	241 040	5 901 376
Disposal	(211 431)	(7 798)	(109 285)	(7 867)	(180 014)	—	—	—	—	—	(296 787)	(813 182)
Closing balance at 31 May 2006	5 359 349	439 246	1 470 643	969 089	3 169 932	78 637	10 924	94 291	82 804	2 135	73 430	11 750 480
Net book value at 1 June 2005	2 700 422	605 571	2 379 059	1 053 513	2 950 696	40 221	—	—	—	—	7 660 684	17 390 166
Net book value at 31 May 2006	5 370 560	1 627 851	6 117 015	882 362	2 197 434	—	174 641	6 908 364	2 017 556	102 788	4 418 412	29 816 983

For the details of property, plant and equipment pledged as security, refer to note 12.

## 5. INTANGIBLE ASSETS

	Software R	Goodwill R	Starter packs R	Trade- marks R	Customer listing R	Distribution agreement R	Total R	
<b>Year ended 31 May 2007</b>								
Opening net book amount	26 535 220	39 774 106	39 059 824	6 714 575	28 301 411	4 515 549	144 900 685	
Additions	21 862 961	6 732 612	76 219 065	–	–	–	104 814 638	
Disposals	–	–	(27 513 156)	–	–	–	(27 513 156)	
Amortisation charge	(3 879 567)	–	–	(710 433)	(10 700 271)	(541 866)	(15 832 137)	
Impairment charge	–	–	(3 383 064)*	–	–	–	(3 383 064)	
Closing net book amount	44 518 614	46 506 718	84 382 669	6 004 142	17 601 140	3 973 683	202 986 966	
<b>At 31 May 2007</b>								
Cost	59 234 177	47 590 845	89 832 247	6 771 000	30 207 178	5 418 659	239 054 106	
Accumulated amortisation	(9 172 318)	–	–	(766 858)	(12 606 038)	(1 444 976)	(23 990 190)	
Accumulated impairment	(5 543 245)	(1 084 127)	(5 449 578)	–	–	–	(12 076 950)	
Net book amount	44 518 614	46 506 718	84 382 669	6 004 142	17 601 140	3 973 683	202 986 966	
Less current portion	–	–	(84 382 669)	–	–	–	(84 382 669)	
Non current portion	44 518 614	46 506 718	–	6 004 142	17 601 140	3 973 683	118 604 297	
	Software R	Goodwill R	Starter packs R	Database R	Trade- marks R	Customer listing R	Distribution agreement R	Total R
<b>Year ended 31 May 2006</b>								
Opening net book amount	13 083 493	7 470 814	–	5 752 219	–	7 541 558	5 057 415	38 905 499
Additions	27 824 523	32 445 612	41 126 338	–	6 771 000	26 858 000	–	135 025 473
Disposals	(5 789 995)	–	–	(5 495 424)	–	(4 731 063)	–	(16 016 481)
Amortisation charge	(3 039 556)	–	–	(256 795)	(56 425)	(1 367 084)	(541 866)	(5 261 727)
Impairment charge	(5 543 245)	(142 320)	(2 066 514)*	–	–	–	–	(7 752 079)
Closing net book amount	26 535 220	39 774 106	39 059 824	–	6 714 575	28 301 411	4 515 549	144 900 685
<b>At 31 May 2006</b>								
Cost	37 371 216	40 858 233	41 126 338	667 668	6 771 000	30 207 178	5 418 659	162 420 293
Accumulated amortisation	(5 292 751)	–	–	(667 668)	(56 425)	(1 905 767)	(903 110)	(8 825 722)
Accumulated impairment	(5 543 245)	(1 084 127)	(2 066 514)	–	–	–	–	(8 693 886)
Net book amount	26 535 220	39 774 106	39 059 824	–	6 714 575	28 301 411	4 515 549	144 900 685
Less current portion	–	–	(39 059 824)	–	–	–	–	(39 059 824)
Non current portion	26 535 220	39 774 106	–	–	6 714 575	28 301 411	4 515 549	105 840 861

\* Starter packs impaired in terms of group policy, refer to accounting policies on page 85.

The group recognised impairment losses on intangible assets, other than starter packs of Rnil (2006: R5 685 565) for the Ventury cash generating unit. The impairment of software was due to discontinuance of the software and has been written down to Rnil. The impairment of goodwill is assessed taking into account the difference between the recoverable amount and the carrying amount of the relevant cash generating unit being the separate legal entity an acquisition on which the goodwill arose. The recoverable amount of a cash generating unit is based on the value-in-use calculation. These calculations use cash flow projections based on financial budgets approved by management covering a five year period. Cash flows beyond the five year period are extrapolated using the estimated growth rates ranging between 3% and 6%. Discount rates used reflect specific risks relating to the relevant cash generating units and range from 11% to 14%.

## 6. INVESTMENTS

### 6.1 Investment in associates

	<b>2007 R</b>	<b>2006 R</b>
Opening net book amount	9 686 487	1 094 153
Acquisition of associates	–	1 190 000
Share of results after tax	3 328 565	2 848 682
Loans repaid by associates	(4 576 728)	–
Disposal of associate	(5 649 452)	(916 341)
Dividends received	(510 000)	(330 000)
Transfer of subsidiary to associate due to decrease in shareholding	–	1 433 599
Intangible assets recognised in the acquisition of associates	–	4 366 394
Closing net book amount	2 278 872	9 686 487

Set out below is the summarised financial information of associates:

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

Investment in associates at 31 May 2007 includes goodwill of R805 164 (2006: R805 164).

The group's interest in its principal associates, which are unlisted, is as follows:

<b>Name</b>	<b>Country of incorporation</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Revenues</b>	<b>Profit</b>	<b>% interest held</b>
2007						
Virtual Voucher (Proprietary) Limited	South Africa	22 595 922	12 529 768	487 814 087	8 305 836	15*
2006						
Virtual Voucher (Proprietary) Limited	South Africa	21 699 392	15 872 543	400 481 067	5 421 458	15*
Transunion CGS (Proprietary) Limited	South Africa	42 382 880	18 605 634	18 028 663	3 830 482	40

During the current year of assessment the Ventry Group (Proprietary) Limited sold their 40% interest in Transunion CGS (Proprietary) Limited.

\* Significant influence is exercised in Virtual Voucher as a result of board representation and therefore the investment is accounted for as an associate.

### 6.2 Investment in joint ventures

	<b>2007 R</b>	<b>2006 R</b>
Opening net book amount	–	–
Acquisition of joint venture	160	–
Share of results after tax	–	–
Closing net book amount	160	–
	<b>Percentage acquired</b>	

During the year, the group acquired the following interests in joint ventures:

#### 2007

The Hub Pretalk (Proprietary) Limited	40%
PreMet Cellular (Proprietary) Limited	40%

Set out below is the summarised financial information of joint ventures:

Name	Assets R	Liabilities R	Revenue R	Loss R
The Hub Pretalk (Proprietary) Limited	3 546 232	4 709 943	21 232 645	(1 163 711)
Premet Cellular (Proprietary) Limited	3 831 109	6 139 627	362 966 402	(2 308 618)

There are no contingent liabilities relating to the group's interest in joint ventures.

### 6.3 Financial assets at fair value through profit or loss

	2007 R	2006 R
Balance at beginning of year	12 168 219	4 830 480
Additions	7 560 000	7 646 050
Disposals	(6 086 061)	(1 190 000)
Fair value movements	2 539 808	881 689
At end of year	16 181 966	12 168 219

The fair value of the financial assets are based on quoted market prices at 31 May.

An investment to the value of R3.6 million included in the above balance has been ceded to First National Bank.

## 7. INVENTORIES

Airtime and related products	260 933 108	213 589 251
------------------------------	-------------	-------------

Airtime is held as security for a general notarial bond to First National Bank for a total amount of Rnil (2006: R30 000 000).

Airtime is held as security for a loan from Investec Private Bank to a minimum value of R180 million (2006: R200 million). Airtime is held as security for a general notarial bond to Investec Private Bank for a total amount of R105 million (2006: Rnil) and a further bond of R95 million to be registered in due course.

## 8. LOANS RECEIVABLE

Blue Label One (Proprietary) Limited	4 098 617	–
ZOK Cellular (Proprietary) Limited	–	17 864 863
Africa Prepaid Services (Proprietary) Limited	121 578	162 003
The Hub Pretalk (Proprietary) Limited	–	3 665
PreMet Cellular (Proprietary) Limited	–	104 486
Kwikpay (Proprietary) Limited	–	44 847
Blue Label Marketing (Proprietary) Limited	–	152 404
Blue Label Investments (Proprietary) Limited	4 404 149	–

The above loans are unsecured, interest free and have no fixed terms of repayment.

Vocall Cellular (Proprietary) Limited	–	76 283 084
---------------------------------------	---	------------

The above loan is unsecured and has no fixed terms of repayment. It bears interest at 7.1 % p.a on the first R25 million and thereafter at 7.2% p.a.

Simon Smart (Proprietary) Limited	–	72 997
-----------------------------------	---	--------

The above loan is unsecured, bears interest at rates determined by the directors from time to time, is for an indefinite period and has no fixed repayment terms.

Folarin Alyegbusi	–	209 124
-------------------	---	---------

The above loan is unsecured, bears interest at rates determined by the director from time to time, is for an indefinite period and has no fixed repayment terms.

Moneycells (Proprietary) Limited	–	10 000 000
----------------------------------	---	------------

The above loan is interest free and has no fixed terms of repayment. It is secured by a personal suretyship.

	8 624 344	104 897 473
--	-----------	-------------

	<b>2007 R</b>	<b>2006 R</b>
<b>9. TRADE AND OTHER RECEIVABLES</b>		
Trade receivables is made up as follows:		
Trade receivables	216 802 191	112 729 996
Less provision for impairment of receivables	(871 403)	(835 562)
Trade receivables – net	215 930 788	111 894 434
Sundry debtors and prepayments	11 241 959	5 015 845
VAT	15 606 047	1 238 529
Receivables from related parties	37 373 888	16 902 249
	280 152 682	135 051 057

There is an unlimited cession of trade receivables of the company in favour of Investec Bank Limited.

## 10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are made up as follows:

Cash at bank	1 105 190 766	717 650 883
Cash on hand	187 436	110 898
	1 105 378 202	717 761 781

Cash held earns interest at varying market related rates depending on the type of account in which the funds are held.

All balances are ceded to First National Bank as security for banking facilities.

The general banking facility granted by First National Bank to the value of R150 million is secured by letters of suretyship by certain of the directors of the company and Blue Label Investments (Proprietary) Limited.

## 11. SHARE CAPITAL

### **Authorised**

100 000 ordinary shares of R0.01 each	1 000	1 000
---------------------------------------	-------	-------

### **Issued**

10 000 ordinary shares of R0.01 each	100	100
--------------------------------------	-----	-----

## 12. INTEREST BEARING BORROWINGS

Ellerine Bros. (Proprietary) Limited	60 200 000	67 767 123
--------------------------------------	------------	------------

The loan with Ellerine Bros. (Proprietary) Limited, is unsecured, has no fixed repayment terms and bears interest at 2% above prime.

First National Bank	–	6 347 530
---------------------	---	-----------

The prior year loan with First National Bank bore interest at the prime bank rate. The loan had no fixed repayment terms and was secured by a general notarial bond over inventories to the value of R30 million.

Investec Private Bank

Loan I	22 681 791	31 849 974
--------	------------	------------

The loan is repayable in 38 equal monthly instalments commencing 1 May 2006. The loan bears interest at 1% below prime. The loan is secured by a cession and pledge of 50% of all shares issued in Matragon (Proprietary) Limited in favour of Investec Private Bank.



	<b>2007 R</b>	<b>2006 R</b>
Loan 2 The loan bears interest at 1% below prime. The loan has no fixed repayment terms and is secured by general notarial bonds over inventories to the value of R200 million.	241 134 247	30 948 011
Loan 3 The loan bears interest at 1% below prime. The loan has no fixed repayment terms and is secured by a cession of prepaid airtime inventory to the minimum value of R180 million (2006: R200 million).	123 806 508	100 364 025
Loan 4 The loan bears interest at 1% below prime. The loan has no fixed repayment terms and is secured by a cession and pledge of cash deposits held with Investec Bank Limited to the total value of R100 million. Investec Bank Limited holds various other securities for the above loans. The most significant are: Joint and several continuing suretyship by certain directors and holding company directors limited to a cumulative total of R452 million. Joint and several continuing suretyship by BSC Technologies (Proprietary) Ltd, Zok Cellular (Proprietary) Ltd and Vocall Cellular (Proprietary) Ltd. Subordination of all shareholder's loan accounts by Blue Label Investments (Proprietary) Ltd to the value of R49 million. An unlimited cession of trade receivables of the company.	96 659 061	–
Nedbank finance lease Liabilities under capitalised finance leases are payable over periods of 1 to 5 years at effective interest rates ranging from prime to 17% p.a. Secured by plant and equipment with a book value of R2 947 911 (2006: R2 502 160).	834 421	387 845
ABSA finance lease The above loan is secured over computer equipment. It is repayable in monthly instalments and interest is charged at prime linked rates.	1 293 869	1 609 681
Kempston Finance finance lease The above loan is secured over motor vehicles. It is repayable in monthly instalments with interest being charged at prime linked rates.	235 259	889 528
Daimler Chrysler finance lease The above loan is secured over motor vehicles. It is repayable in monthly instalments with interest being charged at prime linked rates.	493 646	880 218
Bankfin finance lease The above loan was secured over motor vehicles. It was repayable in monthly instalments with interest being charged at prime linked rates.	–	452 319
FNB The above loan is secured by the land and buildings in Kwikprop and bears interest at rates linked to prime. It is repayable in 120 monthly instalments from 1 March 2006.	3 409 930	4 419 742
Freerange Trust The above loan has no fixed repayment terms and is unsecured. It bears interest at rates determined by the directors from time to time.	321 236	3 094 508
Brett Levy The above loan bears interest at prime plus 2% p.a., is unsecured and is repayable within 7 days of demand.	7 659 507	–
C Van Der Merwe The above loan is unsecured. It bears interest at 16% p.a. There are no fixed terms of repayment.	458 935	–
Stanchion The above loan has no fixed repayment terms and is unsecured from the fourth month after balance sheet date and bears interest at prime minus 5% p.a.	2 025 000	–

	<b>2007 R</b>	<b>2006 R</b>
Information Technology Experts (Proprietary) Limited	2 856 137	–
The above loan bears interest at 8.8% p.a. and payment is conditional upon the fulfilment of certain terms of this sale agreement.		
V Horovitz	719 145	–
M Pillay	995 948	–
M Steiner	719 145	–
R Weimar	279 517	–
These loans to E-Voucha (Proprietary) Limited bear interest at prime. They have been ceded in favour of other creditors, until such time as the company's assets, fairly valued, exceeds its liabilities.		
	566 783 302	249 010 505
Less: Amounts included in current portion of borrowings	(302 239 654)	(200 297 937)
	264 543 648	48 712 568
Finance lease liabilities – minimum lease payments:		
Not later than 1 year	1 089 490	1 042 493
Later than 1 year and not later than 5 years	2 070 892	1 575 573
	3 160 382	2 618 066
Future finance charges on finance leases	(303 187)	(207 397)
Present value of finance lease liabilities	2 857 195	2 410 669
Borrowings with no fixed repayment terms are classified as current liabilities and are repayable on demand. All borrowings are denominated in South African Rand. The carrying amounts of assets pledged as security for the borrowings is R2 860 662.		

### 13. DEFERRED TAX

Balance at beginning of year	18 658 029	9 107 565
Acquisition of subsidiary	4 065 662	16 216 334
Disposal of subsidiary	–	(4 545 880)
Movements during year charged to the income statement attributable to:		
– prior year	–	114 858
– temporary differences	(2 052 583)	(2 234 848)
Balance at end of year	20 671 108	18 658 029

## Deferred taxation liabilities/(assets)

	Capital allowance R	Fair value adjustments from business combinations R	Provisions R	Tax losses R	Pre-payments R	Other R	Total R
<b>Group</b>							
<b>At 1 June 2005</b>	8 768 729	998 388	(659 552)	–	–	–	9 107 565
Charge/(credited) to income statement	146 862	(3 051 011)	693 392	(23 386)	381 466	(267 313)	(2 119 990)
Acquisition of subsidiary (note 22.3)	(368 515)	16 735 649	–	–	–	(150 800)	16 216 334
Disposal of subsidiary (note 22.4)	–	(4 545 880)	–	–	–	–	(4 545 880)
<b>At 31 May 2006</b>	8 547 076	10 137 146	33 840	(23 386)	381 466	(418 113)	18 658 029
Charge/(credited) to income statement	(292 455)	(4 097 440)	(18 521)	5 197	(385 164)	2 735 800	(2 052 583)
Acquisition of subsidiary (note 22.3)	57 489	4 008 173	–	–	–	–	4 065 662
Disposal of subsidiary (note 22.4)	–	–	–	–	–	–	–
<b>At 31 May 2007</b>	8 312 110	10 047 879	15 319	(18 189)	(3 698)	2 317 687	20 671 108

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The group did not recognise deferred income taxes in respect of losses amounting to R4,1 million (2006: R2,9 million) that can be carried forward against future taxable income.

	2007 R	2006 R
--	-----------	-----------

### 14. SHAREHOLDER'S LOAN

Blue Label Investments (Proprietary) Limited	49 000 000	49 000 000
--	------------	------------

The above loan is unsecured, has no fixed terms of repayment and bears interest at 2% above prime. This loan was ceded by Blue Label Investments to First National Bank for banking facilities in the prior year. The loan is now ceded in favour of Investec Bank Limited.

### 15. TRADE AND OTHER PAYABLES

Trade and other payables consists of the following:

Trade payables	832 980 741	774 375 961
VAT payable	1 355 102	6 995 796
Accruals	24 262 486	11 006 227
Other creditors	18 528 910	6 941 185
Lease straight lining	2 108 545	1 374 845
Shareholders for dividends	348 447	–
	879 584 231	800 694 014

### 16. NON-INTEREST BEARING BORROWINGS

MAPSC Family Trust	7 263 107	9 654 903
RAB Trust	8 363 642	9 949 291
PPJ Family Trust	2 057 632	2 485 925
DAB Trust	1 290 741	1 475 866
S Frank Family Trust	2 125 393	2 583 237
G Tempelhoff Family Trust	2 144 645	2 722 028

The above loans are unsecured and have no fixed terms of repayment.

Nedcor Bank Limited	650 000	1 000 000
---------------------	---------	-----------

The Nedcor loan is unsecured. Nedcor Bank Limited has the right to request full payment in cash unless otherwise negotiated.

	23 895 160	29 871 250
--	------------	------------

	<b>2007 R</b>	<b>2006 R</b>
<b>17. OPERATING PROFIT</b>		
Operating profit is stated after charging/(crediting) the following:		
Profit on sale of investment	(758 306)	–
Profit on disposals of associate	(11 510 548)	(423 402)
(Profit)/loss on disposals of property, plant and equipment	(423 832)	2 939 685
Auditors' remuneration		
– audit fee	2 593 394	667 379
– other	–	461 622
Depreciation		
– property, plant and equipment	9 713 610	5 901 376
Lease rentals		
– premises	9 579 297	3 798 929
– equipment	796 919	921 301
Legal fees	1 108 073	1 566 598
Management fees received	(9 521 733)	(3 127 566)
Management fees paid	1 165 526	15 167 313
Excess of acquirers interest in the net fair value over cost	(690 907)	(10 057 830)
Repairs and maintenance	4 124 606	575 047
Amortisation of intangible assets	15 832 137	5 261 727
Impairment of goodwill	–	142 320
Impairment of loan	151 712	42 712
Fair value movements	(2 539 808)	(881 689)
Impairment of starter packs	3 383 064	2 066 514
Impairment of software	–	5 543 245
Profit on sale of subsidiary	–	(8 999 938)

## 18. FINANCE COSTS

Interest paid		
Bank	42 607 604	11 203 554
Loans	17 570 079	13 651 311
Finance leases	458 686	35 504
Other	8 278 648	969 448
Discounting of payables	71 338 477	34 728 961
Interest received	(80 997 384)	(30 055 080)
Discounting of receivables	(12 714 921)	(4 343 321)
	46 541 189	26 190 377

## 19. TAXATION

South Africa normal tax:

– Current tax		
current year	55 817 001	29 977 475
prior year	–	(750 414)
– Deferred tax		
current year	(2 052 583)	(2 234 848)
prior year	–	114 858
– STC	88 889	–
Tax for the year	53 853 307	27 107 071

	<b>2007</b> %	<b>2006</b> %
Reconciliation of rate of taxation		
South Africa normal tax rate	29.00	29.00
<i>Adjusted for:</i>		
– income not taxable	0.49	4.47
– expenditure not deductible	–	–
– prior year	–	–
– capital gains tax	–	(9.09)
Effective rate	28.51	24.38

## 20. KEY MANAGEMENT PERSONNEL

	<b>2007</b> R	<b>2006</b> R
Service as directors		
Executive		
Basic salary	13 241 421	8 898 698
Bonuses	8 007 460	5 576 838
Expense allowances	694 827	571 125
Provident fund contribution	1 600 000	640 000
	23 543 708	15 686 661

## 21. EARNINGS PER SHARE

### 21.1 Basic earnings per share

Basic earnings per share is 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	126 635 112	76 829 534
Weighted average number of ordinary shares in issue	10 000	10 000
Basic earnings per share (rands per share)	12 664	7 683

These are no potentially dilutive shares or costs related to dilution.  
Thus, no diluted earnings per share are presented.

### 21.2 Headline earnings per share

	<b>Profit before tax R</b>	<b>Tax R</b>	<b>Minority interest R</b>	<b>Headline earnings R</b>
<b>2007</b>				
Attributable profit for the year	188 905 237	(53 853 307)	(8 416 818)	126 635 112
Impairment of loans	151 712	(43 996)	(32 746)	74 970
Profit on sale of group company	(11 510 548)	1 669 029	3 745 474	(6 096 045)
Loss on disposal of property, plant and equipment	(423 832)	122 911	91 480	(209 441)
Negative goodwill	(690 907)	–	210 036	(480 871)
				119 923 725

## 21.2 Headline earnings per share (continued)

	Profit before tax R	Tax R	Minority interest R	Headline earnings R
Weighted average number of shares in issue				10 000
Headline earnings per share (rands per share)				11 992
<b>2006</b>				
Attributable profit for the year	111 166 051	(27 107 071)	(7 229 446)	76 829 534
Impairment of goodwill	142 320	–	(53 171)	89 149
Impairment of loans	42 712	(12 386)	(9 219)	21 107
Impairment of software	5 543 245	(1 607 541)	(1 196 454)	2 739 250
Profit on sale of group company	(9 423 340)	1 366 384	2 004 854	(6 052 102)
Loss on disposal of property, plant and equipment	2 939 685	(852 509)	(854 376)	1 232 800
Negative goodwill	(10 057 830)	–	4 522 811	(5 535 019)
				69 324 719
Weighted average number of shares in issue				10 000
Headline earnings per share (rands per share)				6 932
			<b>2007 R</b>	<b>2006 R</b>

## 22. NOTES TO THE CASH FLOW STATEMENT

### 22.1 Cash generated by operating activities

Net profit before taxation	188 905 237	111 166 051
<i>Adjustments for:</i>		
Impairment of software	–	5 543 245
Depreciation	9 713 610	5 901 376
Finance costs	46 541 189	26 190 377
(Profit)/loss on disposals of property, plant and equipment	(423 832)	2 939 685
Impairment of loan	151 712	42 712
Share of profit of associates	(3 328 565)	(2 848 682)
Excess of acquirers interest in the net fair value over cost	(690 907)	(10 057 830)
Profit on sale of subsidiary	–	(8 999 938)
Amortisation of intangible assets	15 832 137	5 261 727
Goodwill impairment	–	142 320
Profit on sale of associate	(11 510 548)	(423 402)
Impairment of starter packs	3 383 064	2 066 514
Fair value adjustments	(2 539 808)	(881 689)
Profit on sale of investments	(758 306)	–
	245 274 983	136 042 466
Movements in working capital		
Increase in inventories/current intangibles	(96 049 765)	(149 246 520)
(Increase)/decrease in trade and other receivables	(145 088 348)	85 022 437
Increase in trade and other payables and provisions	77 761 644	531 096 276
	81 898 514	602 914 659

### 22.2 Reconciliation of taxation paid during year

Charge in income statement	(53 853 307)	(27 107 071)
Adjustment for deferred tax	(2 052 583)	(2 183 211)
On acquisition of subsidiary	–	646 661
Movement in taxation balance	19 755 943	12 995 013
Net payments made	(36 149 947)	(15 648 608)

## 22.3 Acquisition of subsidiary

2007

	<b>Kwikpay</b>	<b>eVoucha</b>	<b>Friedshelf 771</b>	<b>ITEX</b>	<b>Transaction Junction</b>	
	Supply of electronic vouchers and related service.	Uses technology to supply a stored value card solution to the insurance industry in order to facilitate the supply chain management process for the replacement of merchandise to their clients via the retail sector.	Investment holding company	Provider of secure, innovative products and solutions based on global cutting edge technology.	Provider of a complete service to institutions deploying payment solutions including transaction switch management, professional services, transaction switching and products to manage EFT environments.	
<i>Initial acquisition</i>						
Date acquired:	1 September 2005	5 October 2006	1 February 2007	1 February 2007	1 April 2007	
% acquired	60%	51%	100%	100%	60%	
<i>Further acquisition</i>						
Date acquired	14 September 2006					
% acquired	15%					
Date acquired	1 March 2007					
% acquired	20%					
Assets	59 026 877	15 156 068	10 433 187	6 582 132	3 035 723	
Liabilities	(46 581 545)	(16 916 621)	(10 433 087)	(5 978 056)	(3 658 598)	
Revenue of the acquired business since acquisition	472 395 670	3 266 435	–	167 013	38 499	
Profit/(loss) after tax of the acquired business since acquisition and for the year	2 773 132	(784 011)	–	(1 590 271)	303 735	
<b>2007</b>		<b>35% Kwikpay</b>	<b>51% eVoucha</b>	<b>100% Friedshelf 771</b>	<b>100% ITEX</b>	<b>60% Transaction Junction</b>
Cash and cash equivalents	–	–	–	–	–	58 241
Property plant and equipment	–	–	–	–	187 120	1 320 738
Intangible assets identified as part of purchase price allocation- software	–	–	–	–	5 038 771	13 821 286
Intangible assets	–	–	2 500 000	–	–	2 500 000
Receivables	–	–	1 000	100	–	13 280
Deferred tax	–	–	–	–	–	(57 489)
Deferred tax on purchase price allocation values	–	–	–	–	(1 461 244)	(4 008 173)
Borrowings	–	–	(2 500 000)	–	–	(3 090 489)
Payables	–	–	–	–	(270 436)	(780 126)
Minority interests	–	4 090 907	(490)	–	–	1 581 427
Fair value of net assets acquired	4 090 907	4 090 907	510	100	3 503 694	11 358 695
Goodwill/(Excess of acquirers interest in the net fair value over cost*)	(690 907)	(690 907)	2 499 490	–	1 296 606	3 541 705
Total purchase consideration	3 400 000	3 400 000	2 500 000	100	4 800 300	14 900 400
Less: Cash and cash equivalents in subsidiary	–	–	–	–	–	(58 241)
Cash flow on acquisition	3 400 000	3 400 000	2 500 000	100	4 800 300	14 842 159

\* Included in other income.

The main factors that contributed to the recognition of goodwill include synergies from the acquisition, business 'know-how' and the expected profitability of the acquired business.

	<b>Cheque Guarantee Services</b>	<b>The Post Paid Company</b>	<b>Matrix Investments</b>	<b>Matragon</b>	<b>Kwikpay</b>	<b>Share Phone</b>
	Group company consisting of: 1. CGS 2. Iveri 3. Cigicell	The Post Paid Company sells prepaid cell phone contracts via sms's.	Matrix Investments is involved in the wholesale business of selling prepaid telephone and cellular phone cards	Matragon is a holding company with shares in: 1. CES Cellular which sells prepaid airtime. 2. CES Manufacturing	Supply of electronic vouchers and related services	Providing SIM based software solutions and VOIP services
<i>Initial acquisition</i>						
Date acquired:	1 October 2004 and 1 February 2005	4 August 2004	15 September 2003	1 May 2006	1 September 2005	1 June 2005
% acquired	67% and 14%	60%	50%	50%	60%	50.1%
<i>Further acquisition</i>						
Date acquired	1 October 2005	31 May 2006	31 May 2006			
% acquired	9%	40%	50%			
Assets	77 718 776	43 603	331 258	128 939 723	27 508 038	5 642 207
Liabilities	(11 204 657)	(70 431)	(3 291 649)	(125 306 018)	(21 518 343)	(4 444 947)
Revenue of the acquired business since acquisition	795 153 583	662 136	60 027	133 337 334	244 152 998	15 381 200
Profit/(loss) after tax of the acquired business since acquisition	29 256 019	182 102	(2 464 204)	905 889	6 720 234	2 815 387
Profit/(loss) after tax of the acquired business for the period	29 256 019	182 102	(2 464 204)	3 722 822	6 720 234	2 815 387

\*Included in other income.



The main factors that contributed to the recognition of goodwill include synergies from the acquisition, business 'know-how' and the expected profitability of the acquired business.

**2006**

	<b>9%</b>	<b>40%</b>	<b>50%</b>	<b>50%</b>	<b>60%</b>	<b>50.1%</b>	<b>100%</b>
	<b>Cheque Guarantee Services</b>	<b>The Post Paid Company</b>	<b>Matrix Investments</b>	<b>Matragon</b>	<b>Kwikpay</b>	<b>Shared Phone</b>	<b>Total</b>
Cash and cash equivalents	-	-	-	11 680 593	107 899	4 254	11 792 746
Property, plant and equipment	-	-	-	12 993 516	-	-	12 993 516
- Vending Machines	-	-	-	5 984 812	-	-	5 984 812
- Motor vehicles	-	-	-	3 402 870	-	-	3 402 870
- Terminals	-	-	-	2 016 519	-	-	2 016 519
- Computer equipment and furniture and fittings	-	-	-	1 589 315	-	-	1 589 315
Inventories	-	-	-	26 640 082	-	-	26 640 082
Receivables	-	-	-	39 540 579	3 482 944	577 514	43 601 037
Deferred tax	-	-	-	220 885	298 430	-	519 315
Deferred tax revalued	-	-	-	(13 050 290)	(1 956 899)	(1 728 460)	(16 735 649)
Intangible assets	-	-	-	20 475 259	-	-	20 475 259
Intangible assets identified as part of purchase price allocation	-	-	-	45 001 000	7 478 569	7 583 333	60 062 902
- Software	-	-	-	11 372 000	7 478 569	7 583 333	26 433 902
- Databases, customer listings and distributions agreements	-	-	-	26 858 000	-	-	26 858 000
- Trademarks	-	-	-	6 771 000	-	-	6 771 000
Borrowings	-	-	-	(17 289 785)	(4 600 000)	(2 203 786)	(24 093 571)
Payables	-	-	-	(91 533 310)	(19 813)	(1 010)	(91 554 133)
Share split	-	-	-	-	-	4 900	4 900
Minority interests	7 320 171	40	50	(17 339 263)	(1 916 452)	(2 114 135)	(14 049 589)
Fair value of net assets acquired	7 320 171	40	50	17 339 266	2 874 678	2 122 610	29 656 815
Goodwill/(Excess of acquirers interest in the net fair value over cost*)	(1 920 171)	-	-	14 050 504	(2 874 618)	7 877 390	17 133 105
Total purchase consideration	5 400 000	40	50	31 389 770	60	10 000 000	46 789 920
Less:							
Cash and cash equivalents in subsidiary	-	-	-	(11 680 593)	(107 899)	(4 254)	(11 792 746)
Cash outflow on acquisition	5 400 000	40	50	19 709 177	(107 839)	9 995 746	34 997 174

\*Included in other income

Kwikpay acquired a subsidiary during the year which gave rise to an excess of acquirers interest in the net fair value over cost of R5 263 041. This has been included in other income.

The main factors that contributed to the recognition of goodwill include workforce from the acquired business, synergies of the combined companies, human capital and business 'know-how'.

## 22.4 Disposal of subsidiary

### 2006

The Group disposed of 60% of the wholly-owned subsidiary, Transunion CGS (Pty) Limited.

	Transunion CGS
Book value of assets and liabilities adjusted by the purchase price allocation	3 584 061
Investment in associates	(1 433 599)
Profit on disposal of subsidiary	8 999 938
Proceeds	11 150 400
Cash and cash equivalents of subsidiary	(6 059 351)
Intangible assets recognised through business combination	4 366 394
Net proceeds from sale of subsidiary	724 655

	2007 R	2006 R
--	-----------	-----------

## 23. CONTINGENT LIABILITIES

Liability for Secondary Tax on Companies which would arise if reserves were to be distributed.	26 839 938	19 574 511
--	------------	------------

## 24. COMMITMENTS

Future operating lease charges for:

Premises		
Payable within one year	5 478 182	3 089 887
Payable in 2 to 5 years	9 932 574	9 452 821
Payable in more than 5 years	6 585 105	9 098 950
Equipment		
Payable within one year	539 917	75 800
Payable in 2 to 5 years	1 043 301	178 420
	23 579 079	21 895 878

## 25. RELATED PARTIES

### Identity of related parties

The shareholders of the company are as follows:

Blue Label Investments (Proprietary) Limited	69.6%
Shotput Investments (Proprietary) Limited	30.4%

The directors are listed in the directors' report.

For details of subsidiaries and associates of The Prepaid Company (Proprietary) Limited, refer to note 26.

Ellerine Bros. (Proprietary) Limited is a related party as it has a common director.

### Fellow subsidiaries of The Prepaid Company (Proprietary) Limited includes:

Blue Label One (Proprietary) Limited  
Blue Label Finance (Proprietary) Limited  
Blue Label Private Equity (Proprietary) Limited  
Blue Label Properties (Proprietary) Limited  
Blue Label Trading Company (Proprietary) Limited  
BSC Technologies (Proprietary) Limited  
Ellblue Properties (Proprietary) Limited  
Friedshelf 649 (Proprietary) Limited  
HOBS Trading (Proprietary) Limited  
Gold Label Investments (Proprietary) Limited  
Prepaid TV & Utilities (Proprietary) Limited  
Silver Stars Trading 199 (Proprietary) Limited  
Smoke Mountain Trading 720 (Proprietary) Limited

### Agency arrangements

An exclusive agency agreement exists between The Prepaid Company (Proprietary) Limited and Buddingtrade 1170 (Proprietary) Limited.

## Basis of transactions

All transactions with related parties are conducted on an arm's length basis.

	2007 R	2006 R
<b>Sales to related parties</b>		
– Blue Label Investments (Proprietary) Limited	3 899	765 639
– BSC Technologies (Proprietary) Limited	904 467	707 134
– Blue Label Finance (Proprietary) Limited	4 081	–
<b>Purchases from related parties</b>		
– Cigicell (Proprietary) Limited		
– Blue Label Investments (Proprietary) Limited	486 038	–
– BSC Technologies (Proprietary) Limited	9 297 554	14 125 617
<b>Interest paid to related parties</b>		
– Blue Label Investments (Proprietary) Limited	6 839 192	6 125 000
<b>Management fees paid to related parties</b>		
– Blue Label Investments (Proprietary) Limited	865 526	14 785 000
<b>Interest received from related parties</b>		
– Friedshelf 771 (Proprietary) Limited	125 145	–
<b>Management fees received from related parties</b>		
– Blue Label Investments (Proprietary) Limited	3 000 000	–
<b>Intercompany recovery charges from related parties</b>		
– Blue Label Investments (Proprietary) Limited	600 894	686 169
– Blue Label Private Equity (Proprietary) Limited	3 494	–
<b>Intercompany expenditure to related parties</b>		
– BSC Technologies (Proprietary) Limited	–	29 012
– Blue Label Investments (Proprietary) Limited	–	405 585
<b>Rent paid to related parties</b>		
– Blue Label Investments (Proprietary) Limited	1 179 000	1 250 000
– Ellerines Bros. (Proprietary) Limited	1 562 972	1 419 000
– Ventury Group (Proprietary) Limited	42 000	39 000
– BSC Technologies (Proprietary) Limited	–	(148 137)
<b>Loans from related parties</b>		
– Blue Label Investments (Proprietary) Limited	49 000 000	49 000 000
– Ellerines Bros. (Proprietary) Limited	60 200 000	67 767 123
– Brett Levy	7 659 507	–
<b>Loans receivable from related parties</b>		
– Blue Label One (Proprietary) Limited	4 098 617	–
– Blue Label Investments (Proprietary) Limited	4 404 149	–
<b>Amounts payable to related parties</b>		
– Virtual Voucher (Proprietary) Limited	–	6 373 815
– Kwikpay (Proprietary) Limited	74 045	–
<b>Amounts receivable from related parties</b>		
– Blue Label Investments (Proprietary) Limited	3 420 000	21 585
– Silver Stars (Proprietary) Limited	442	–
– Blue Label Finance (Proprietary) Limited	168	–
– Virtual Voucher (Proprietary) Limited	1 015 377	–
– BSC Technologies (Proprietary) Limited	34 393	22 988

## 26. INTEREST IN SUBSIDIARIES AND ASSOCIATE

	Country	Issued ordinary shares	Percentage held	Shares at cost less provision R	Loans to/(from) R
<b>Subsidiary of The Prepaid Company (Proprietary) Limited</b>					
Budding Trade 1170 (Proprietary) Limited	RSA	100	50*	702 368	–
Matrix Investments No 4 (Proprietary) Limited	RSA	100	100	4 161 050	1 008 106
The Post Paid Company (Proprietary) Limited	RSA	100	100	100	–
Ventury Group (Proprietary) Limited	RSA	100	90	35 087 630	(49 411 932)
Matragon (Proprietary) Limited	RSA	100	50*	31 390 885	7 102 095
Kwikpay (Proprietary) Limited	RSA	100	95	3 400 060	4 600 000
Shared Phone (Proprietary) Limited	RSA	5 000	50*	10 000 000	–
E-Voucha (Proprietary) Limited	RSA	1 000	51	2 500 000	–
Friedshelf 771 (Proprietary) Limited	RSA	300	100	300	10 433 087
<b>Indirectly held:</b>					
<b>Subsidiaries of Ventury Group (Proprietary) Limited:</b>					
Cigicell (Proprietary) Limited	RSA	100	90	100	9 800 000
Boyet Properties (Proprietary) Limited	RSA	100	90	100	740 990
CGiTech (Proprietary) Limited	RSA	100	90	100	–
Iveri Payment Technologies (Proprietary) Limited	RSA	100	51	2 723 632	–
Incentiveteck (Proprietary) Limited	RSA	100	90	100	–
Any Pay Services (Proprietary) Limited	RSA	100	90	100	–
Cadi Advertising (Proprietary) Limited	RSA	100	90	100	–
Terminal Deployment Centre (Proprietary) Limited	RSA	100	100	100	2 486 565
ITex (Proprietary) Limited	RSA	100	100	100	–
Transaction Junction (Proprietary) Limited	RSA	120	60	120	–
<b>Directly held:</b>					
<b>Associate of The Prepaid Company (Proprietary) Limited</b>					
Virtual Voucher (Proprietary) Limited	RSA	100	15	1 190 000	–

\* Control is demonstrated by the company as a result of a combination of factors including financial policies regarding funding.

## 27. SEGMENT INFORMATION

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 the business segments.

At 31 May 2007, the Group is managed on the basis of two main business segments:

- Distribution, which includes the distribution of prepaid airtime and electricity; and
- Services, which includes technology solutions and commissionable services.

Transactions between reportable segments are conducted at arms length.

	2007		2006		2007		2006		2007		2006		2007		2006	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
The segment results for the year ended 31 May are as follows	8 871 934 609	5 450 588 943	8 810 603 452	5 434 485 578	57 998	—	—	—	61 273 159	(3 600 000)	—	—	—	—	16 103 365	—
<b>Revenue</b>	<b>8 868 334 609</b>	<b>5 450 588 943</b>	<b>8 810 603 452</b>	<b>5 434 485 578</b>	<b>57 998</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>57 673 159</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>16 103 365</b>	<b>—</b>	<b>—</b>
<b>Segment result</b>																
Operating profit before depreciation, amortisation and impairment charges	261 046 642	153 422 928	245 632 900	140 263 045	11 044 691	—	—	—	4 369 051	—	—	—	—	3 736 542	—	—
Depreciation and amortisation	(25 545 747)	(11 163 103)	(23 515 551)	(9 811 506)	(217 562)	—	—	—	(1 812 634)	—	—	—	—	(1 351 597)	—	—
Impairment charges	(3 383 064)	(7 752 079)	(3 383 064)	(7 752 079)	—	—	—	—	—	—	—	—	—	—	—	—
Finance costs	(140 253 494)	(60 588 778)	(139 988 896)	(60 286 406)	—	—	—	—	(264 598)	—	—	—	—	(302 372)	—	—
Finance income	93 712 305	34 398 401	93 667 166	34 377 622	—	—	—	—	45 139	—	—	—	—	20 779	—	—
Income from associates	3 328 565	2 848 682	1 245 875	682 997	2 082 689	—	—	—	—	—	—	—	—	—	—	—
Taxation	(53 853 307)	(27 107 071)	(53 090 031)	(27 334 375)	23 656	—	—	—	(786 932)	—	—	—	—	227 304	—	—
<b>Net profit for the year</b>	<b>135 051 930</b>	<b>84 058 980</b>	<b>120 568 430</b>	<b>70 139 298</b>	<b>12 933 474</b>	<b>12 933 474</b>	<b>11 589 026</b>	<b>11 589 026</b>	<b>1 550 026</b>	<b>1 550 026</b>	<b>2 330 656</b>	<b>2 330 656</b>	<b>2 330 656</b>	<b>2 330 656</b>	<b>2 330 656</b>	<b>2 330 656</b>
<b>Non-cash items</b>																
Excess of acquirers interest in the net fair value over cost	690 907	10 057 830	690 907	10 057 830	—	—	—	—	—	—	—	—	—	—	—	—
Profit on sale of subsidiary	—	8 999 938	—	—	—	—	—	—	8 999 938	—	—	—	—	—	—	—
Profit on sale of associate	11 510 548	423 402	—	—	11 510 548	—	—	—	—	—	—	—	—	—	—	—
Fair value adjustment	2 539 808	881 689	2 539 808	881 689	—	—	—	—	—	—	—	—	—	—	—	—
Profit on sale of investments	758 306	—	758 306	—	—	—	—	—	—	—	—	—	—	—	—	—

	2007		2006		2007		2006		2007		2006		2007		2006		
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
The segment assets and liabilities at 31 May are as follows:																	
Assets excluding investment in associates and joint ventures	1 911 170 906	1 358 185 449	1 846 424 283	1 341 220 847	3 035 723	(3 691 663)	61 710 900	20 656 265									
Investment in associates and joint ventures	2 279 032	9 686 487	2 279 032	1 542 997	—	8 143 490	—										
<b>Total assets</b>	<b>1 913 449 938</b>	<b>1 367 871 936</b>	<b>1 848 703 315</b>	<b>1 342 763 844</b>	<b>3 035 723</b>	<b>4 451 827</b>	<b>61 710 900</b>	<b>20 656 265</b>									
<b>Additions to non-current assets</b>																	
Property, plant and equipment	21 144 216	28 271 740	20 071 531	22 618 797	—	—	1 072 685	5 652 943									
Intangible assets	104 814 638	135 025 473	82 960 740	127 442 140	1 300 000	—	20 553 898	7 583 333									
Investment in associates	—	1 190 000	—	1 190 000	—	—	—	—									
Investment in joint ventures	160	—	160	—	—	—	—	—									
<b>Total liabilities</b>	<b>1 572 258 096</b>	<b>1 159 802 150</b>	<b>1 539 557 436</b>	<b>1 153 266 969</b>	<b>3 242 598</b>	<b>—</b>	<b>29 458 062</b>	<b>6 535 181</b>									
<b>Reconciliation of segmental results to consolidated results as per IFRS 8</b>																	

There are no differences in the accounting methods used for the business segments in management reporting versus IFRS 8.

All of the Group's operations are conducted in one geographical area.

---

**HISTORICAL FINANCIAL INFORMATION FOR THE PREPAID COMPANY  
(PROPRIETARY) LIMITED FOR THE YEARS ENDED 31 MAY 2006 AND 31 MAY  
2005, IN TERMS OF SA GAAP**


---

**CONSOLIDATED BALANCE SHEET**


---

	Notes	2006 R	2005 R
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>263 439 921</b>	<b>114 407 191</b>
Property, plant and equipment	2	30 639 583	17 390 165
Intangible assets	3	106 048 159	38 905 499
Investment in associates	4.1	9 686 487	1 094 153
Available-for-sale investments	4.2	12 168 219	4 830 480
Loans receivable	5	104 897 473	52 186 893
<b>Current assets</b>		<b>1 105 816 823</b>	<b>274 584 468</b>
Inventories	6	213 589 251	68 870 330
Intangible assets	3	39 059 824	–
Trade and other receivables	7	135 405 967	180 290 962
Cash and cash equivalents	8	717 761 781	24 996 515
Taxation		–	426 661
<b>Total assets</b>		<b>1 369 256 744</b>	<b>388 991 659</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>		<b>209 298 842</b>	<b>109 995 938</b>
Share capital	9	100	100
Accumulated profit		176 170 602	98 620 229
Outside shareholders' interest		33 128 140	11 375 609
<b>Non-current liabilities</b>		<b>96 995 655</b>	<b>23 050 556</b>
Interest bearing borrowings	11	48 712 568	12 454 936
Non interest bearing borrowings	13	29 521 250	1 488 055
Deferred tax	12	18 761 837	9 107 565
<b>Current liabilities</b>		<b>1 062 962 247</b>	<b>255 945 165</b>
Shareholders loan	10	49 000 000	49 000 000
Trade and other payables	14	800 745 958	183 022 742
Provisions	15	–	5 664 891
Taxation		12 568 352	–
Current portion of interest bearing borrowings	11	200 297 937	18 257 532
Current portion of non-interest bearing borrowings	13	350 000	–
<b>Total equity and liabilities</b>		<b>1 369 256 744</b>	<b>388 991 659</b>

## CONSOLIDATED INCOME STATEMENT

	Notes	2006 R	2005 R
Revenue		5 454 932 264	3 432 654 494
Other income		35 423 137	21 366 291
Changes in inventories of finished goods		(5 260 568 556)	(3 320 783 468)
Employee compensation and benefit expense		(49 798 173)	(25 345 967)
Depreciation, amortisation and impairment charges		(18 901 612)	(7 219 934)
Other expenses		(55 580 146)	(31 085 534)
<b>Operating profit</b>	16	<b>105 506 914</b>	<b>69 585 882</b>
Finance (costs)/income	17	4 143 319	(16 280 497)
Share of profit of associates	4.1	2 848 682	94 153
<b>Net profit for year before taxation</b>		<b>112 498 915</b>	<b>53 399 538</b>
Taxation	18	(27 210 879)	(12 350 770)
<b>Net profit for the year</b>		<b>85 288 036</b>	<b>41 048 768</b>
<i>Attributable to:</i>			
Equity holders of parent		77 566 968	40 348 144
Minority interest		7 721 068	700 624



**CONSOLIDATED CHANGES IN EQUITY**

	<b>Share capital R</b>	<b>Accumulated profit R</b>	<b>Minority interest R</b>	<b>Total R</b>
<b>Balance at 1 June 2004</b>	<b>100</b>	<b>58 500 490</b>	<b>10 674 985</b>	<b>69 175 575</b>
Net profit for the year	–	40 348 144	700 624	41 048 768
<b>Balance at 31 May 2005</b>	<b>100</b>	<b>98 848 634</b>	<b>11 375 609</b>	<b>110 224 343</b>
Net profit for the year	–	77 566 968	7 721 068	85 288 036
Dividends	–	(245 000)	—	(245 000)
Minorities acquired during the period	–	–	14 049 680	14 049 680
Minority adjustment	–	–	(18 217)	(18 217)
<b>Balance at 31 May 2006</b>	<b>100</b>	<b>176 170 602</b>	<b>33 128 140</b>	<b>209 298 842</b>

## CASH FLOW STATEMENT

	Notes	2006 R	2005 R
<b>Cash flows from operating activities</b>		<b>562 974 810</b>	<b>59 808 051</b>
Cash received from customers		5 499 817 263	3 539 694 452
Cash paid to suppliers and employees		(4 925 337 164)	(3 436 674 407)
Cash generated by operations	20.1	574 480 099	103 020 045
Interest received		30 055 080	2 868 580
Interest paid		(25 911 761)	(19 149 077)
Taxation paid	20.2	(15 648 608)	(26 931 497)
<b>Cash flows from investing activities</b>		<b>(104 471 035)</b>	<b>(79 384 623)</b>
Proceeds on disposal of intangibles		3 956 756	–
Property, plant and equipment acquired		(17 314 549)	(7 499 920)
Proceeds of disposals of vehicles and equipment		7 863 713	2 470 764
Proceeds on disposal of associate		1 050 000	–
Acquisition of subsidiaries net of cash acquired	20.3	(34 998 291)	(20 138 094)
Purchase of available-for-sale investments		(8 527 739)	439 520
Proceeds on disposal of subsidiary	20.4	724 655	–
Acquisition of associate		–	(1 000 000)
Loans advanced		(57 310 580)	(53 656 893)
Dividends received		330 000	–
Dividends paid		(245 000)	–
<b>Cash flows from financing activities</b>		<b>234 261 491</b>	<b>(5 796 256)</b>
Proceeds from interest bearing borrowings		205 728 294	–
Repayment of interest bearing borrowings		–	(5 456 688)
Proceeds from/(repayment of) from non-interest bearing borrowings		28 533 197	(339 568)
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>692 765 266</b>	<b>(25 372 828)</b>
Cash and cash equivalents at beginning of year		24 996 515	50 369 343
<b>Cash and cash equivalents at end of year</b>	8	<b>717 761 781</b>	<b>24 996 515</b>

## ACCOUNTING POLICIES

### I. BASIS OF PREPARATION

The annual financial statements and group financial statements are prepared under the historical cost convention. The preparation of financial statements in conformity with South African Statements of Generally Accepted Accounting Practice ("SA GAAP") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies.

The following are the principal accounting policies used by the group in the preparation of these annual financial statements, which are consistent with those of the previous year and comply with SA GAAP, except as disclosed.

#### **Standards, interpretations and amendments to published standards that are not year effective**

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 January 2006 or later periods, but which the group has not early adopted, are as follows:

- *AC 116 (Amendment), Employee benefits* (effective from 1 January 2006). This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. This amendment is not relevant to the group.
- *AC 133 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions* (effective from 1 January 2006). The amendment allows the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item in the financial statements, provided that: (a) the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction; and (b) the foreign currency risk will affect profit or loss. This group does not apply hedge accounting.
- *AC 133 (Amendment), The Fair Value Option* (effective from 1 January 2006). The amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. This amendment is not relevant to the group.
- *AC 133 and AC 141 (Amendment), Financial Guarantee Contracts* (effective from 1 January 2006). This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value and subsequently measured at the higher of: (a) the unamortised balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at balance sheet date. Management considered this amendment to AC 133 and concluded that it is not relevant to the group.
- *AC 138 (Amendment), First-time Adoption of International Reporting Standard and IFRS 6 (Amendment), Exploration for Evaluation of Mineral Resources* (effective from 1 January 2006). These amendments are not relevant to the group's operations as the group is not a first-time adopter of SA GAAP and does not carry out exploration for and evaluation of mineral resources.
- *AC 143, Exploration for and evaluation of Mineral Resources* (effective from 1 January 2006). AC 143 is not relevant to the group's operations.
- *AC 144, Financial Instruments: Disclosures, and a complementary amendment to AC 101, Presentation of Financial Statements – Capital Disclosures* (effective from 1 January 2007). AC 144 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specific minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces AC 120, Disclosures in the Financial Statements of Banks and Similar Financial Institutions and disclosure requirements in AC 125, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under SA GAAP. The amendment to AC 101 introduces disclosures about the level of an entity's capital and how it manages capital. The group assessed the impact of AC 144 and the amendment to AC 101 and concluded that the main additional disclosure will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of AC 101. The group will apply AC 144 and the amendment to AC 101 from annual periods beginning on or after 1 January 2007.
- *AC 147, Determining whether an arrangement contains a lease* (effective from 1 January 2006). AC 147 requires the determination of whether an arrangement is or contains a lease based on the substance of the arrangement. It requires an assessment of whether: a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Management has assessed the impact of AC 147 on the group's operations, and concluded that leases embedded in current contractual arrangements are not material.

- AC 438, *Rights to Interest arising from Decommissioning, Restoration and environmental Rehabilitation Funds* (effective from 1 January 2006). AC 138 is not relevant to the group's operations.
- AC 439, *Liabilities arising from Participating in Specific Market – Waste Electrical Electronic Equipment* (effective from 1 December 2005). AC 539 is not relevant to the group's operations.

## **Subsidiaries**

Subsidiaries, which are those entities (including Special Purpose Entities) in which the group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies, are consolidated.

The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the group controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued, or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net assets of the subsidiary acquired at the date of acquisition. If the cost of acquisition is less than the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Goodwill on the acquisition of net assets is included in "Goodwill" in the balance sheet. Goodwill was amortised using the straight-line method over its estimated useful life until 31 May 2004. Management determined the estimated useful life of goodwill based on its evaluation of the respective net assets at the time of the acquisition. Goodwill was amortised over 10 years. With the adoption of AC 129 (revised), "Intangible Assets", the amortisation of goodwill was ceased with effect from 1 June 2004. Goodwill is now tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of such net assets include the carrying amount of goodwill relating to the net assets sold.

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.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. When necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the group.

Minority interest is stated at the minority's proportion of the fair values of the identifiable assets and liabilities recognised.

## **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 by the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payment on behalf of the associate. Unrealised gains on transactions between the group and its associates are eliminated 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.

A listing of the group's principal subsidiaries and associates is set out in note 25 to the financial statements. The financial effects of the acquisition and disposal of the subsidiaries and associates are separately disclosed in the notes to the financial statements.

## Joint ventures

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

The group's interest in a jointly controlled entity is accounted for under the equity method of accounting whereby an interest in jointly controlled entities is initially recorded at cost and adjusted thereafter for post acquisition changes in the group's shares of net assets of the joint venture.

The group financial statements account for joint ventures cost less any accumulated impairment. The income statement reflects the group's share of the results of operations of the joint venture.

## Foreign currencies

### (a) *Functional and presentation currency*

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Rands, which is the company'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 income statement.

### (c) *Group companies*

The results and financial position of associates (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:

- (i) assets and liabilities are translated at the closing rate at the date of that balance sheet; and
- (ii) 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).

## Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, payables and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. The carrying values of these assets approximate their fair values.

## Intangible assets

### (a) *Computer software development*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three years).

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads. Costs associated with the maintenance of existing computer software programmes are expensed as incurred.

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding three years).

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

### (b) *Trademarks and licences*

Trademarks and licences are shown at historical cost. Trademarks and licences have a definite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives (5 years).

(c) *Databases, customer listings and distribution agreements*

Databases, customer listings and distribution agreements are shown at historical cost, as determined by the purchase price allocation of the relevant business combination. Other intangibles have a definite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of other intangibles over their estimated useful lives (10 years).

(d) *Research and development*

Research expenditure is recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique product controlled by the group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. 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.

Development costs recognised as assets are amortised over their estimated useful lives once they are available for use.

(e) *Starter packs*

Starter packs are issued by the various cellphone networks as an entry mechanism. Starter packs are recognised as an intangible asset at historical cost.

Impairment of starter packs is calculated using historical activation trends.

### **Financial assets (investments)**

The group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

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

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

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

(c) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. During the year, the group did not hold any investments in this category.

(d) *Available-for-sale financial assets*

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

Purchases and sales of investments are recognised on trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are

recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments 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.

The group assesses at each balance sheet date whether there is objective evidence that a financial asset of a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

### **Property, plant and equipment**

All property, plant and equipment are initially recorded at cost. Cost includes all costs directly attributable to bringing the assets to working condition for their intended use. Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the group and the cost of the item can be measured reliably. Property, plant and equipment are subsequently carried at cost less accumulated depreciation. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Property, plant and equipment are subsequently carried at cost less accumulated depreciation.

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	20%
Computer equipment	33.33%
Electronic terminals	20% – 33.33%
Security equipment	20%
Vending machines	16.67%
Media equipment	33.33%
Plant and machinery	20%
Development	20%

The asset's residual values and useful lives are reviewed, and adjusted if appropriate at each balance sheet date.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of revalued assets, amounts in non-distributable reserves relating to that asset are transferred to retained earnings.

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

### **Impairment of assets**

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recordable amount, that is, the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

### **Leased assets**

Leases of property, plant and equipment where the group assumes substantially all the benefits and risks of ownership are classified at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the finance balance outstanding. The corresponding rental

obligations, net of finance charges are included in non-current interest bearing liabilities. The interest element of the finance charge is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leasing contracts are depreciated over the useful life of the asset.

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement 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.

### **Inventories**

Inventories are stated at the lower of cost or estimated net realisable value. Cost is determined by the weighted average cost method for all inventory other than property development which is determined based on identified specific cost. Net realisable value is the estimate of the selling price in the ordinary course of business, less selling expenses.

### **Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest 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 effective interest rate. The amount of the provision is recognised in the income statement.

### **Cash and cash equivalents**

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

### **Share capital**

Ordinary shares are classified as equity.

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.

### **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.

### **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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 the balance sheet date.

### **Deferred taxation**

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

### **Revenue recognition**

Revenue comprises the fair value for the sale of goods and services, net of value-added tax, rebates and discounts and after eliminated sales within the group. Revenue is recognised as follows:

(a) *Sales of goods – wholesale*

Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

Homeware products are often sold with a right of return. Accumulated experience is used to estimate and provide for such returns at the time of sale.

(b) *Sales of goods – retail*

Sales of goods are recognised when a group entity sells a product to the customer. Retail sales are usually in cash or by credit card. The recorded revenue is the gross amount of sale, including credit card fees repayable for the transaction. Such fees are included in distribution costs.

(c) *Sale of starter packs*

Starter pack revenue is recognised when the simcard is activated on the relevant cellular phone network.

(d) *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.

(e) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest 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.

(f) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

### **Dividends**

Dividends are recorded in the group's financial statements in the period in which they are declared by the board of directors.

### **Financial risk management**

(a) *Interest rate risk*

The group's income and operating cash flows are substantially independent of changes in market interest rates. The group has no significant interest-bearing assets.

(b) *Credit risk*

The group has no significant concentrations of credit risk. It has policies in place to ensure that wholesale sales of products are made to customers with an appropriate credit history. Sales to retail customers are made in cash or via major credit cards. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions. The group has policies that limit the amount of credit exposure to any financial institution.

(c) *Liquidity risk*

The group's income and operating cash flows are substantially independent of changes in market interest rates. The group has no significant interest-bearing assets.

(d) *Cash flow and fair value interest rate risk*

The face values, less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year, are assumed to approximate their fair values.

(e) *Foreign exchange risk*

The group hedges the foreign currency exposure of its contract commitments to purchase electronic goods and homewares from China. The forward contracts used in its programme mature in 3 months or less, consistent with the related purchase commitments.

**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) *Estimated impairment of goodwill*

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.

(b) *Estimated impairment of starter packs*

Starter packs are impaired based on the historical information relating to activation. This information is updated periodically and impairment testing performed on each re-assessment.

## 2. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment	Furniture and fittings	Motor vehicles	Office equipment	Terminals	Security equipment	Leasehold improvements	Vending machine	Media equipment	Plant and machinery	Land and Buildings	Investment property	Total
	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>2006</b>													
<b>Cost or valuation</b>													
Opening balance at 1 June 2005	6 160 021	807 821	3 231 824	1 459 727	4 524 561	78 637	—	—	—	—	7 789 861	—	24 052 452
Current additions	5 488 174	1 243 574	4 790 908	533 055	2 341 146	—	185 565	7 002 655	2 100 360	104 923	—	5 400 000	29 031 372
Disposal	(902 584)	—	(435 074)	(141 331)	(1 498 341)	—	—	—	—	—	(7 779 399)	—	(10 756 729)
Transfers	(15 702)	15 702	—	—	—	—	—	—	—	—	—	—	—
Closing balance at 31 May 2006	10 729 909	2 067 097	7 587 658	1 851 451	5 367 366	78 637	185 565	7 002 655	2 100 360	104 923	10 462	5 400 000	42 327 095
<b>Accumulated depreciation</b>													
Opening balances at 1 June 2005	3 459 599	202 250	852 765	406 214	1 573 865	38 416	—	—	—	—	129 177	—	6 662 286
Depreciation charge	2 111 181	244 794	727 163	570 742	1 776 081	40 221	10 924	94 291	82 804	2 135	178 072	—	5 838 408
Elimination on disposal	(211 431)	(7 798)	(109 285)	(7 867)	(180 014)	—	—	—	—	—	(296 787)	—	(813 182)
Closing balance at 31 May 2006	5 359 349	439 246	1 470 643	969 089	3 169 932	78 637	10 924	94 291	82 804	2 135	10 462	—	11 687 512
Net book value at 1 June 2005	2 700 422	605 571	2 379 059	1 053 513	2 950 696	40 221	—	—	—	—	7 660 684	—	17 390 165
Net book value at 31 May 2006	5 370 560	1 627 851	6 117 015	882 362	2 197 434	—	174 641	6 908 364	2 017 556	102 788	—	5 400 000	30 639 583
<b>2005</b>													
<b>Cost or valuation</b>													
Opening balance at 1 June 2004	3 514 434	278 990	1 618 314	185 888	—	—	—	—	—	—	—	—	5 597 626
Current additions	3 770 714	639 907	1 914 726	1 406 704	5 515 679	78 637	—	—	—	—	23 253	4 228 429	17 578 049
Revaluations	—	—	—	—	—	—	—	—	—	—	—	3 561 432	3 561 432
Disposal/transfers	(1 148 381)	(111 076)	(301 216)	(132 865)	(991 118)	—	—	—	—	—	—	—	(2 684 656)
Closing balance at 31 May 2005	6 136 767	807 821	3 231 824	1 459 727	4 524 561	78 637	3 231 824	1 459 727	4 524 561	78 637	23 253	7 789 861	24 052 451
<b>Accumulated depreciation</b>													
Opening balances at 1 June 2004	1 917 287	85 001	329 759	61 755	—	—	—	—	—	—	—	—	2 393 802
Depreciation charge	1 673 006	140 918	554 882	349 491	1 573 865	38 416	554 882	349 491	1 573 865	38 416	18 473	129 177	4 478 228
Elimination on disposal	(149 167)	(23 669)	(31 876)	(5 032)	(209 744)	—	—	—	—	—	—	—	—
Closing balance at 31 May 2005	3 441 126	202 250	852 765	406 214	1 573 865	38 416	18 473	129 177	6 662 286	—	—	—	—
Net book value at 31 May 2005	2 695 641	605 571	2 379 059	1 053 513	2 950 696	40 221	2 379 059	1 053 513	2 950 696	40 221	4 780	7 660 684	17 390 165

### 3. INTANGIBLE ASSETS

	Software R	Goodwill R	Starter packs R	Other intangibles R	Total R
<b>Year ended 31 May 2006</b>					
Opening net book amount	13 083 493	7 470 814	–	18 351 192	38 905 499
Additions	28 081 221	32 445 612	41 126 338	33 629 000	135 282 171
Disposals	(5 789 995)	–	–	(10 226 486)	(16 016 481)
Amortisation charge	(3 088 955)	–	–	(2 222 171)	(5 311 126)
Impairment charge	(5 543 245)	(142 320)	(2 066 514)	–	(7 752 079)
Closing net book amount	26 742 519	39 774 106	39 059 824	39 531 535	145 107 984
<b>At 31 May 2006</b>					
Cost	37 627 914	40 858 233	41 126 338	43 064 505	162 676 990
Accumulated amortisation	(5 342 150)	–	–	(3 532 970)	(8 875 120)
Accumulated impairment	(5 543 245)	(1 084 127)	(2 066 514)	–	(8 693 886)
Net book amount	26 742 519	39 774 106	39 059 824	39 531 535	145 107 984
Less Current portion	–	–	(39 059 824)	–	(39 059 824)
Non current portion	26 742 519	39 774 106	–	39 531 535	106 048 159
<b>Year ended 31 May 2005</b>					
Opening net book amount	693 730	5 235 281	–	–	5 929 011
Additions	13 820 670	3 177 340	–	19 661 992	36 660 002
Amortisation charge	(1 430 907)	–	–	(1 310 800)	(2 741 707)
Impairment charge	–	(941 807)	–	–	(941 807)
Closing net book amount	13 083 493	7 470 814	–	18 351 192	38 905 499
<b>At 31 May 2005</b>					
Cost	15 336 688	8 412 621	–	19 661 992	43 411 301
Accumulated amortisation	(2 253 195)	–	–	(1 310 800)	(3 563 995)
Accumulated impairment	–	(941 807)	–	–	(941 807)
Net book amount	13 083 493	7 470 814	–	18 351 192	38 905 499
				<b>2006 R</b>	<b>2005 R</b>

### 4. INVESTMENTS

#### 4.1 Investment in associates

Opening net book amount	1 094 153	–
Acquisition of associates	1 190 000	500 000
Share of results after tax	2 848 682	94 153
Loans granted to associates	(330 000)	500 000
Disposal of associate	(916 341)	–
Dividends received	(330 000)	–
Transfer of subsidiaries to associate due to increase in share holding	1 433 599	–
Intangible assets recognised through business combination	4 366 394	–
Closing net book amount	9 686 487	1 094 153

Set out below is the summarised financial information of associates:

There are no contingent liabilities relating to the group's interest in associates. Investment in associates at 31 May 2006 include goodwill, of R805 164.

The group's interest in its principal associate, which is unlisted, is as follows:

Name	Country of incorporation	Assets	Liabilities	Revenues	Profit	Percentage interest held
<b>2005</b>						
Cellpad (Proprietary) Limited	South Africa	5 615 280	2 067 710	3 735 926	313 844	30
<b>2006</b>						
Virtual Voucher (Proprietary) Limited	South Africa	21 699 392	15 872 543	400 481 067	5 421 458	15
					<b>2006 R</b>	<b>2005 R</b>

#### 4.2 Available-for-sale investment

Balance at beginning of year	4 830 480	5 270 000
Additions	8 527 739	1 560 480
Disposals	–	(2 000 000)
Reclassifications	(1 190 000)	–
At end of year	12 168 219	4 830 480

An investment to the value of R3.6 million included in the above balance has been ceded to First National Bank.

## 5. LOANS RECEIVABLE

Blue Label Investments (Proprietary) Limited	–	58 628
Kwikpay SA (Proprietary) Limited	–	4 600 000
ZOK Cellular (Proprietary) Limited	17 864 863	–
Africa Prepaid Services (Proprietary) Limited	162 003	–
The HUB Pre-Talk (Proprietary) Limited	3 665	–
PreMet Cellular (Proprietary) Limited	104 486	–
Kwikpay (Proprietary) Limited	44 847	–
Blue Label Marketing (Proprietary) Limited	152 404	–

The above loans are unsecured, interest free and have no fixed terms of repayment.

Vocall Cellular (Proprietary) Limited	76 283 084	47 378 265
---------------------------------------	------------	------------

The above loan is unsecured and has no fixed terms of repayment. It bears interest at 7.1% p.a on the first R25 million and thereafter at 7.2% p.a

Ventures and Acquisitions (Proprietary) Limited	–	150 000
---	---	---------

The loan to Ventures and Acquisitions (Proprietary) Limited is secured by a personal suretyship and interest is charged at the prevailing prime interest rate. The repayment terms are subject to a thirty day notice period of intention to call up the facility.

Simon Smart (Proprietary) Limited	72 997	–
-----------------------------------	--------	---

The loan is unsecured, bears interest at rates determined by the director from time to time, is for an indefinite period and has no fixed repayment terms. No provision for IAS 39 interest is made, because the loan does not have a fixed term of repayment

Folarin Alyegbusi	209 124	–
-------------------	---------	---

The loan is unsecured, bears interest at rates determined by the director from time to time, is for an indefinite period and has no fixed repayment terms. No provision for IAS 39 interest is made, because the loan does not have a fixed term of repayment

Money Cells (Proprietary) Limited	10 000 000	–
-----------------------------------	------------	---

The above loan is interest free and has no fixed terms of repayment. It is secured by a personal suretyship.

	104 897 473	52 186 893
--	-------------	------------

	<b>2006 R</b>	<b>2005 R</b>
<b>6. INVENTORIES</b>		
Stock on hand	213 589 251	68 870 330
Stock on hand is security for a general notarial bond to First National Bank for a total amount of R30 000 000.		
<b>7. TRADE AND OTHER RECEIVABLES</b>		
Trade receivables is made up as follows:		
Trade receivables	112 729 996	171 860 200
Less provision for impairment of receivables	(835 562)	(1 538 554)
	111 894 434	170 321 646
Sundry debtors and prepayments	5 370 755	6 357 978
VAT	1 238 529	792 344
Receivables from related parties	16 902 249	2 818 994
	135 405 967	180 290 962
Accounts receivable were ceded to First National Bank as security for loans granted.		
<b>8. CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents are made up as follows:		
Cash at bank	717 650 883	24 869 915
Cash on hand	110 898	126 600
	717 761 781	24 996 515
All credit balances are ceded to First National Bank as security for banking facilities. The general banking facility granted by First National Bank to the value of R150 million is secured by letters of suretyship by certain of the directors of the company and Blue Label Investments (Proprietary) Limited.		
<b>9. SHARE CAPITAL</b>		
<b>Authorised</b>		
100 000 ordinary shares of R0.01 each	1 000	1 000
<b>Issued</b>		
10 000 ordinary shares of R0.01 each	100	100
The dividends paid in 2006 and 2005 were R245 000 and Rnil respectively.		
<b>10. SHAREHOLDERS' LOAN</b>		
Blue Label Investments (Proprietary) Limited	49 000 000	49 000 000
The above loan is unsecured, has no fixed terms of repayment and bears interest at 2% above prime. This loan is ceded by Blue Label Investment to First National Bank for banking facilities.		
<b>11. INTEREST BEARING BORROWINGS</b>		
Ellerine Bros.(Proprietary) Limited	67 767 123	16 948 038
The loan with Ellerine Bros. (Proprietary) Limited, is unsecured, has no fixed repayment terms and bears interest at 2% above prime.		
First National Bank	6 347 530	9 532 174
The loan with First National Bank bears interest at the prime bank rate. The loan has no fixed repayment terms and is secured by a general notarial bond over inventories to the value of R30 million.		

	<b>2006 R</b>	<b>2005 R</b>
Investec Private Bank		
Loan 1	31 849 974	–
The loan is repayable in 38 equal monthly instalments commencing 1 May 2006. The loan bears interest at 1% below prime. The loan is secured by a cession of shares issued in Matragon (Proprietary) Limited in favour of Investec Private Bank		
Loan 2	30 948 011	–
The loan bears interest at 1% below prime. The loan is a general facility for working capital requirements.		
Loan 3	100 364 025	–
The loan bears interest at 1% below prime. The loan is secured by a cession of prepaid airtime inventory to the minimum value of R200 million.		
Secured loan bearing interest at 1.5% below the prime interest rate payable in annual instalments. Secured by freehold land and buildings with a book value of R4 203 600 (2005: R4 203 600)	–	3 034 000
Nedbank Finance Lease	387 845	1 198 256
Liabilities under capitalised finance leases payable over periods of 2 to 5 years at effective interest rates ranging from 0% to 17% per annum. Secured by plant and equipment with a book value of R2 502 160 (2005: R5 164 100).		
ABSA	1 609 681	–
The above loan is secured over computer equipment. It is repayable in monthly instalments and interest is charged at prime linked rates.		
Kempston Finance	889 528	–
The above loan is secured over motor vehicles. It is repayable in monthly instalments with interest being charged at prime linked rates.		
Daimler Chrysler	880 218	–
The above loan is secured over motor vehicles. It is repayable in monthly instalments with interest being charged at prime linked rates.		
Bankfin	452 319	–
The above loan is secured over motor vehicles. It is repayable in monthly instalments with interest being charged at prime linked rates.		
FNB	4 419 742	–
The above loan is secured by the investment property in Kwikprop and bears interest at rates linked to prime. It is repayable in monthly instalments.		
Freerange Trust	3 094 508	–
The above loan is unsecured. It bears interest at rates determined by the directors from time to time.		
	249 010 505	30 712 468
Less: Current portion included in current portion of borrowings	(200 297 937)	(18 257 532)
	48 712 568	12 454 936
Finance lease liabilities – minimum lease payments:		
Not later than 1 year	349 987	1 176 482
Later than 1 year and not later than 5 years	78 470	186 249
	428 457	1 362 731
Future finance charges on finance leases	(40 612)	(164 475)
Present value of finance lease liabilities	387 845	1 198 256

	<b>2006 R</b>	<b>2005 R</b>
<b>12. DEFERRED TAX</b>		
Balance at beginning of year	9 107 565	(634 988)
Acquisition of subsidiary	11 925 616	10 436 028
Movements during year charged to the income statement attributable to:		
– prior year adjustment	114 858	504 000
– temporary differences	(2 386 202)	(1 199 072)
– tax rate change	–	1 597
Balance at end of year	18 761 837	9 107 565
The balance comprises:		
– Capital allowances	11 618 099	8 768 729
– Provisions	69 330	(659 552)
– Fair value gains	7 074 408	998 388

### 13. NON-INTEREST BEARING BORROWINGS

GBDM (Proprietary) Limited	–	185 043
Iveri Payment Technologies (Proprietary) Limited	–	302 962
Gold Label (Proprietary) Limited	–	50
MAPSC Family Trust	9 654 903	–
RAB Trust	9 949 291	–
PPJ Family Trust	2 485 925	–
DAB Trust	1 475 866	–
S Frank Family Trust	2 583 237	–
G Tempelhoff Family Trust	2 722 028	–
The above loans are unsecured and have no fixed terms of repayment.		
Nedcor Bank Limited	1 000 000	1 000 000
The Nedcor loan is unsecured. Nedcor Bank Limited has the right to request full payment in cash unless otherwise negotiated.		
	29 871 250	1 488 055
Less: Current portion	350 000	–
	29 521 250	1 488 055

### 14. TRADE AND OTHER PAYABLES

Trade and other payables consists of the following:		
Trade payables	774 375 961	171 601 592
VAT payable	6 995 796	673 183
Accruals	11 006 227	6 467 304
Other creditors	6 993 129	2 974 430
Lease suspense account	1 374 845	1 306 233
	800 745 958	183 022 742

### 15. PROVISIONS

Bonus provisions		
Opening balance	5 664 891	5 384 169
Less: Amounts utilised	(5 664 891)	(5 384 169)
Add: Charged to income statement	–	5 664 891
Closing balance	–	5 664 891



	<b>2006 R</b>	<b>2005 R</b>
<b>16. OPERATING PROFIT</b>		
Operating profit is stated after charging/(crediting) the following:		
Profit on disposals of investment	(423 403)	–
Loss on disposals of property, plant and equipment	2 937 685	4 148
Auditors' remuneration		
– audit fee	667 379	511 676
– other	461 622	–
Depreciation		
– property, plant and equipment	5 838 408	4 478 228
Lease rentals		
– premises	3 798 929	4 510 184
– equipment	921 301	234 632
Impairment of inventory	–	1 297 821
Legal fees	1 566 598	896 291
Rentals received		
– premises	(361 563)	(2 028 720)
Dividends received	–	(281 441)
Management fees received	(3 127 566)	(139 500)
Management fees paid	15 167 313	1 021 576
Negative goodwill	10 057 830	(16 069 863)
Repairs and maintenance	575 047	133 371
Amortisation of intangible assets	5 311 126	2 741 707
Impairment of goodwill	81 651	941 807
Impairment of loan	42 712	1 470 000
Investment income	(881 688)	–
Impairment of starter packs	2 066 514	–
Impairment of software	5 543 245	–
Profit on sale of subsidiary of a subsidiary	(8 999 938)	–
<b>17. FINANCE COSTS</b>		
Interest paid		
Bank	11 203 554	12 172 709
Loans	13 651 311	6 752 673
Finance leases	35 504	223 695
Other	1 021 392	–
Interest received	(30 055 080)	(2 868 580)
	(4 143 319)	16 280 497
<b>18. TAXATION</b>		
South Africa normal tax:		
– Current tax		
current year	30 205 971	13 079 230
prior year adjustment	(750 414)	(34 985)
– Deferred tax		
current year	(2 359 536)	(1 199 072)
prior year adjustment	114 858	504 000
tax rate change	–	1 597
Tax for the year	27 210 879	12 350 770

	<b>2006</b>	<b>2005</b>
	<b>R</b>	<b>R</b>
<b>19. DIRECTORS' EMOLUMENTS</b>		
Executive		
Basic salary	8 898 698	4 949 406
Bonuses	5 576 838	3 639 206
Expense allowances	571 125	149 323
Provident fund contribution	640 000	248 000
	15 686 661	8 985 935

## 20. NOTES TO THE CASH FLOW STATEMENT

### 20.1 Cash utilised in operating activities

Net profit before taxation	112 498 915	53 399 538
Adjustments for:		
Impairment of software	5 543 245	–
Impairment of investments	–	–
Depreciation	5 838 408	4 478 228
Finance costs	(4 143 319)	16 280 497
Loss on disposals of property, plant and equipment	2 937 685	4 148
Impairment of loan	42 712	1 470 000
Share of profit of associates	(2 848 682)	(94 153)
Negative goodwill	(10 057 830)	(16 069 863)
Profit on sale of subsidiary	(8 999 938)	–
Provisions	–	280 722
Amortisation of intangible assets	5 311 126	2 741 707
Goodwill impairment	142 320	941 807
Non cash flow on intangibles	–	(80 686)
Profit on sale of associate	(423 402)	–
Impairment of starter packs	2 066 514	–
Fair value adjustments	–	–
	107 909 754	63 351 944
Movements in working capital		
Increase in inventories/current intangibles	(149 246 520)	(17 171 318)
Decrease/(increase) in trade and other receivables	84 668 645	(103 571 540)
Increase in trade and other payables	531 148 220	160 410 959
	574 480 099	103 020 045

### 20.2 Reconciliation of taxation paid during year

Charge in income statement	(27 210 879)	(12 350 770)
Adjustment for deferred tax	(2 079 403)	(693 475)
On acquisition of subsidiary	646 661	83 742
Movement in taxation balance	12 995 013	(13 970 994)
	(15 648 608)	(26 931 497)

### 20.3 Acquisition of subsidiary

2006	Cheque Guarantee Services	The Post Paid Company	Matrix Investments	Matragon	Kwikpay	Shared Phone
	Group company consisting of: 1. CGS 2. Iveri 3. Cigicell	The Post Paid Company sells prepaid cell phone contracts via sms's.	Matrix Investments is involved in the wholesale business of selling prepaid telephone and cellular phone cards.	Matragon is a holding company with shares in: 1. CES Cellular which sells prepaid airtime. 2. CES Manufacturing	Supply of electronic vouchers and related services	Providing SIM based software solutions and VOIP services
<i>Initial acquisition</i>						
Date acquired:	1 October 2004 & 1 February 2005	4 August 2004	15 September 2003	1 May 2006	1 September 2005	1 May 2005
% acquired	67% and 14%	60%	50%	50%	60%	50.1%
Further acquisition						
Date acquired	1 October 2005	31 May 2006	31 May 2006			
% acquired	9%	40%	50%			
Assets	77 718 776	43 603	331 258	128 939 723	27 508 038	5 642 207
Liabilities	11 204 657	70 431	3 291 649	125 306 018	21 518 343	4 444 947
Revenue of the acquired business since acquisition	795 153 583	662 136	60 027	133 337 334	244 152 998	15 381 200
Profit/(loss) after tax of the acquired business since acquisition	29 256 019	182 102	(2 464 204)	905 889	6 720 234	2 815 387
Profit/(loss) after tax of the acquired business for the period	29 256 019	182 102	(2 464 204)	3 722 822	6 720 234	2 815 387

### 20.3 Acquisition of subsidiary (Continued)

2006	9% Cheque Guarantee Services	40% The Post Paid Company	50% Matrix Investments	50% Matragon	60% Kwikpay	50.1% Shared Phone	100% Total
Cash and cash equivalents	–	–	–	11 680 593	107 899	4 254	11 792 746
Property, plant and equipment	–	–	–	12 993 516	–	–	12 993 516
– Vending machines	–	–	–	5 984 812	–	–	5 984 812
– Motor vehicles	–	–	–	3 402 870	–	–	3 402 870
– Terminals	–	–	–	2 016 519	–	–	2 016 519
– Computer equipment and furniture and fittings	–	–	–	1 589 315	–	–	1 589 315
Inventories	–	–	–	26 640 082	–	–	26 640 082
Receivables	–	–	–	39 540 579	3 482 944	577 514	43 601 037
Deferred tax	–	–	–	220 885	298 430	–	519 315
Deferred tax revalued	–	–	–	(13 050 290)	(1 956 899)	(1 728 460)	(16 735 649)
Intangible assets	–	–	–	20 475 259	–	–	20 475 259
Intangible assets, identified as part of purchase price allocation	–	–	–	45 001 000	7 478 569	7 583 333	60 062 902
– Software	–	–	–	11 372 000	7 478 569	7 583 333	26 433 902
– Databases, customer listings and distribution agreements	–	–	–	26 858 000	–	–	26 858 000
– Trademarks	–	–	–	6 771 000	–	–	6 771 000
Borrowings	–	–	–	(17 289 785)	(4 600 000)	(2 203 786)	(24 093 571)
Payables	–	–	–	(91 532 193)	(19 813)	(1 010)	(91 553 016)
Share split	–	–	–	–	–	4 900	4 900
Minority interests	7 320 171	40	50	(17 339 263)	(1 916 452)	(2 114 135)	(14 049 589)
Fair value of net assets acquired	7 320 171	40	50	17 340 383	2 874 678	2 122 610	29 657 932
Goodwill/(excess of acquirers interest in the net fair value over cost)*	(1 920 171)	–	–	14 050 504	(2 874 618)	7 877 390	17 133 105
Total purchase consideration	5 400 000	40	50	31 390 887	60	10 000 000	46 791 037
Less:							
Cash and cash equivalents in subsidiary	–	–	–	(11 680 593)	(107 899)	(4 254)	(11 792 746)
Cash outflow on acquisition	5 400 000	40	50	19 710 294	(107 839)	9 995 746	34 998 291

\* Kwikpay acquired a subsidiary during the year which gave rise to an excess of acquirers interest in the net fair value over cost of R5 263 041. This has been included in other income.

## 20.3 Acquisition of subsidiary (Continued)

### 2005

The following subsidiaries were acquired during the year:

	<b>The Post Paid Company</b>	<b>Cheque Guarantee Services</b>	<b>Iveri Payment Technologies</b>
	The Post Paid Company sells cellphone contracts.	Group company consisting of 3 companies: 1. CGS (Proprietary) Limited: Discounts and guarantees cheques 2. Boyet (Proprietary) Limited: Property investment company 3. Cigicell (Proprietary) Limited: Sells virtual Prepaid cards	
<i>Initial acquisition</i>			
Date acquired:	4 August 2005	1 October 2005	1 March 2006
% acquired	60%	67%	51%
Further acquisition			
Date acquired		1 February 2006	
		14%	
Details of the subsidiaries' results at and for the period ended 31 May 2006 are as follows:			
Assets	792 352	52 494 413	1 916 358
Liabilities	1 001 281	14 121 131	1 992 950
Revenue of the acquired business since acquisition	1 363 773	729 543 871	1 563 952
Profit/(Loss) after tax of the acquired business since acquisition	(209 029)	14 668 580	181 900

### 20.3 Acquisition of subsidiary (Continued)

	The Post Paid Company	Cheque Guarantee Services	Iveri Payment Technologies	Total
<b>2005</b>				
The assets and liabilities arising from the acquisition are as follows:				
<i>Initial acquisition</i>				
Cash and cash equivalents	60	11 454 455	818 713	
Property, plant and equipment	–	10 734 868	401 052	
Property, plant and equipment – revaluation	–	3 561 432	–	
Inventories	–	7 379 668	–	
Receivables	40	11 135 895	731 573	
Deferred tax	–	–	83 742	
Deferred tax revaluation	–	(10 436 028)	–	
Intangible assets	–	920	163 302	
Intangible assets – revaluation	–	32 424 871	–	
Borrowings	–	(6 169 156)	(1 314 961)	
Payables	–	(4 329 473)	(1 060 264)	
Minority interests	(40)	(18 399 959)	86 653	
Fair value of net assets acquired	60	37 357 493	(90 190)	
Goodwill	–	(16 069 863)	2 813 822	
Total purchase consideration on initial acquisition	60	21 287 630	2 723 632	
Further acquisition	–	8 400 000	–	
<i>Less:</i>				
Cash and cash equivalents in subsidiary acquired	(60)	(11 454 455)	(818 713)	
Cash outflow on acquisition	–	18 233 175	1 904 919	20 138 094

### 20.4 Disposal of subsidiary

	Transunion CGS
Book value of assets and liabilities adjusted by the purchase price allocation	3 584 061
Investment in associates	(1 433 599)
Profit on disposal of subsidiary	8 999 938
Proceeds	11 150 400
Bank on date	(6 059 351)
Intangible assets recognised through business combinations	4 366 394
Net proceeds from sale of subsidiary	724 655

	<b>2006 R</b>	<b>2005 R</b>
<b>21. CONTINGENT LIABILITIES</b>		
Liability for Secondary Tax on Companies which would arise if reserves were to be distributed.	19 969 262	11 060 850

## 22. COMMITMENTS

Future operating lease charges for:

Premises

Payable within one year	3 089 887	2 033 210
Payable in 2 to 5 years	9 452 821	2 577 594
Greater than 5 years	9 098 950	–

Equipment

Payable within one year	75 800	88 607
Payable in 2 to 5 years	178 420	127 159
Cellphones		
Payable within one year	–	166 300
Payable in 2 to 5 years	–	5 766

	21 895 878	4 998 636
--	------------	-----------

## 23. FINANCIAL INSTRUMENTS

### Interest rate risk

As part of the process of managing the company's interest rate risk, interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates.

### Credit risk

The company maintains cash, cash equivalents and short-term investments with a credible financial institution.

Credit risk with respect to trade receivables is dispersed due to the nature of the business and the large number of blue chip customers.

## 24. RELATED PARTIES

### Identity of related parties

The shareholders of the company are as follows:

Blue Label Investments (Proprietary) Limited	69.6%
Shotput Investments (Proprietary) Limited	30.4%

The directors are listed in the directors' report.

For details of subsidiaries and associates of The Prepaid Company (Proprietary) Limited, refer to note 25.

Ellerine Bros. (Proprietary) Limited is a related party as it has a common director.

### Fellow subsidiaries of The Prepaid Company (Proprietary) Limited include:

Blue Label One (Proprietary) Limited  
Blue Label Finance (Proprietary) Limited  
Blue Label Private Equity (Proprietary) Limited  
Blue Label Properties (Proprietary) Limited  
Blue Label Trading Company (Proprietary) Limited  
BSC Technologies (Proprietary) Limited  
Ellblue Properties (Proprietary) Limited  
Friedshelf 649 (Proprietary) Limited  
HOBS Trading (Proprietary) Limited

## **24. RELATED PARTIES (continued)**

Gold Label Investments (Proprietary) Limited  
Prepaid TV & Utilities (Proprietary) Limited  
Silver Stars Trading 199 (Proprietary) Limited  
Smokey Mountain Trading720 (Proprietary) Limited

### **Associates of Blue Label Investments (Proprietary) Limited include:**

Africa Prepaid Services (Proprietary) Limited  
Blue Label Marketing (Proprietary) Limited  
Cellfind (Proprietary) Limited  
Cellfind International (Proprietary) Limited  
House of Business Solutions (Proprietary) Limited  
Garrin Trading (Proprietary) Limited T/A LIT  
MoneyPenny Emporium (Proprietary) Limited  
Stanton Woodrush (Proprietary) Limited  
India Prepaid Services (Proprietary) Limited  
Retail Ventures (Proprietary) Limited  
Furniture Ventures (Proprietary) Limited  
WBS Holdings (Proprietary) Limited  
Fluxrab Investments (Proprietary) Limited  
Forward Zone (Proprietary) Limited

### **Agency arrangements**

An exclusive agency agreement exists between The Prepaid Company (Proprietary) Limited and Buddingtrade 1170 (Proprietary) Limited.



	2006 R	2005 R
<b>24. RELATED PARTIES (Continued)</b>		
<b>Basis of transactions</b>		
All transactions with related parties are conducted on an arm's length basis.		
<b>Related party transactions</b>		
<b>Sales to related parties</b>		
– Blue Label Investments (Proprietary) Limited	765 639	11 656 240
– BSC Technologies (Proprietary) Limited	707 134	25 064 959
– ZOK Cellular (Proprietary) Limited	18 700 383	–
– Blue Label Marketing (Proprietary) Limited	13 026	–
– Datacell (Proprietary) Limited	76 699	–
– Interactive Telephony (Proprietary) Limited	606 873	–
<b>Purchases from related parties</b>		
– Blue Label Investments (Proprietary) Limited	–	10 519 227
– BSC Technologies (Proprietary) Limited	14 125 617	–
– ZOK Cellular (Proprietary) Limited	154 491 579	–
<b>Interest paid to related parties</b>		
– Blue Label Investments (Proprietary) Limited	6 125 000	6 382 702
<b>Management fees paid to related parties</b>		
– Blue Label Investments (Proprietary) Limited	14 785 000	694 734
– Blue Label Marketing (Proprietary) Limited	96 318	–
<b>Interest received from related parties</b>		
– Blue Label Investments (Proprietary) Limited	–	589 726
– Cellpad (Proprietary) Limited	8 390	–
<b>Management fees received from related parties</b>		
– Blue Label Investments (Proprietary) Limited	–	139 500
– ZOK Cellular (Proprietary) Limited	3 400 000	–
– Cheque Guarantee Services (Proprietary) Limited	1 779 606	–
<b>Intercompany recovery charges from related parties</b>		
– Blue Label Investments (Proprietary) Limited	686 169	–
– House of Business Solutions (Proprietary) Limited	21 464	–
– HOBBS Trading (Proprietary) Limited	15 713	–
– Interactive Telephony (Proprietary) Limited	6 557	–
– Datacell (Proprietary) Limited	1 321	–
– Africa Prepaid (Proprietary) Limited	1 260	–
– ZOK Cellular (Proprietary) Limited	20 014	–
<b>Intercompany expenditure to related parties</b>		
– BSC Technologies (Proprietary) Limited	29 012	–
– Blue Label Investments (Proprietary) Limited	405 585	–
<b>Rent paid to related parties</b>		
– Blue Label Investments (Proprietary) Limited	1 250 000	1 197 190
– Ellerines Bros. (Proprietary) Limited	1 419 000	–
– Cheque Guarantee Services (Proprietary) Limited	39 000	–
– BSC Technologies (Proprietary) Limited	(148 137)	(1 065 263)
– House of Business Solutions (Proprietary) Limited	(11 388)	–
<b>Loans from related parties</b>		
– Blue Label Investments (Proprietary) Limited	49 000 000	49 000 000
– Ellerines Bros. (Proprietary) Limited	67 767 123	–
– Moneycells (Proprietary) Limited	12 246 065	–
– HOBBS Trading (Proprietary) Limited	7 274	–
– Interactive Telephony (Proprietary) Limited	297 392	–
– Datacell (Proprietary) Limited	385	–

	Country	Issued ordinary shares	Percentage held	Shares at cost less provision R	Loans to/(from) R
<b>25. INTEREST IN SUBSIDIARIES AND ASSOCIATE</b>					
<b>Subsidiary of The Prepaid Company (Proprietary) Limited</b>					
Budding Trade 1170 (Proprietary) Limited	RSA	100	50%	702 368	–
Matrix Investments No 4 (Proprietary) Limited	RSA	100	100%	4 161 050	3 226 087
The Post Paid Company (Proprietary) Limited	RSA	100	100%	100	–
Cheque Guarantee Services (Proprietary) Limited	RSA	100	90%	35 087 630	(28 000 000)
Matragon (Proprietary) Limited	RSA	100	50%	31 743 030	6 749 950
Kwikpay (Proprietary) Limited	RSA	100	60%	60	4 600 000
Shared Phone (Proprietary) Limited	RSA	5 000	50%	10 000 000	–
<b>Indirectly held:</b>					
<b>Subsidiaries of Cheque Guarantee Services (Proprietary) Limited:</b>					
CGS (Proprietary) Limited	RSA	300	90%	300	16 100 000
Cigicell (Proprietary) Limited	RSA	100	90%	100	9 800 000
Boyett Properties (Proprietary) Limited	RSA	100	90%	100	740 990
CGiTech (Proprietary) Limited	RSA	100	90%	100	–
Iveri Payment Technologies (Proprietary) Limited	RSA	100	51%	2 723 632	–
Incentiveteck (Proprietary) Limited	RSA	100	90%	100	–
Any Pay Services (Proprietary) Limited	RSA	100	90%	100	–
Cadi Advertising (Proprietary) Limited	RSA	100	90%	100	–
Terminal Deployment Centre (Proprietary) Limited	RSA	100	100%	100	2 486 565
<b>Directly held:</b>					
<b>Associate of The Prepaid Company (Proprietary) Limited</b>					
Virtual Voucher (Proprietary) Limited	RSA	100	15%	1 190 000	–