



Blue Label Telecoms Limited

(Previously Friedshelf 776 (Proprietary) Limited)

(Incorporated in the Republic of South Africa)

(Registration number: 2006/022679/07)

JSE code: BLU ISIN: ZAE000109088

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

PRE-LISTING STATEMENT

Prepared and issued in terms of the Listings Requirements of the JSE Limited ("JSE") relating to:

- a private placing to Qualifying Investors of a maximum value of R1 000 000 000 of new Blue Label Telecoms ordinary shares ("Blue Label Telecoms Shares") priced between R5.75 and R6.75 per Blue Label Telecoms Share in terms of an offer for subscription ("Offer for Subscription"). The Offer for Subscription includes a preferential placement to selected Blue Label Group business associates and selected individual investors ("the Preferential Placement") in terms of which cash has been received in advance for Blue Label Telecoms Shares to the value of R200 000 000 and accordingly the remaining Offer for Subscription will be for a maximum value of R800 000 000;
- a private placing to Qualifying Institutions of a maximum value of R376 467 352 of Blue Label Telecoms Shares priced between R5.75 and R6.75 per share in terms of an offer for sale by certain Blue Label Telecoms Shareholders ("Offer for Sale");
(collectively, "the Private Placing"); and

the subsequent listing of the entire issued share capital of Blue Label Telecoms on the JSE.

Based on the Private Placing Price Range, the maximum number of Blue Label Telecoms Shares available in terms of the Private Placing is 239 385 626 and the minimum number of Blue Label Telecoms Shares available is 203 921 089.

SALIENT DATES AND TIMES

(Please refer to paragraph 48 for the full salient dates pertaining to the Private Placing)

Abridged Pre-Listing Statement released on SENS	Friday, 26 October 2007
Opening Date of the Private Placing (09:00)	Monday, 29 October 2007
Closing Date of the Private Placing (12:00)	Thursday, 8 November 2007
Proposed Listing Date on the JSE (08:30) ("the Listing Date")	Wednesday, 14 November 2007

The Offer for Sale can be accepted only by Qualifying Institutions.

The Offer for Subscription and Offer for Sale can only be made at an acquisition cost, for a single addressee acting as principal, of not less than R100 000.

At the Listing Date the authorised share capital of Blue Label Telecoms will comprise 1 000 000 000 ordinary shares with a par value of R0.000001 each and assuming that the maximum value of R1 000 000 000 of Blue Label Telecoms shares in terms of the Offer for Subscription is raised and the maximum value of R376 467 352 of Blue Label Telecoms Shares in terms of the Offer for Sale is sold, and based on a mid range Private Placing Price of R6.25, the issued share capital of Blue Label Telecoms will be R743 comprising 743 127 787 ordinary shares with a par value of R0.000001 each. Subsequent to the Private Placing, based on a mid range Private Placing Price of R6.25 and the write-off of R39 155 000 of listing expenses, the share premium account balance of Blue Label Telecoms will be R4 168 041 585. Blue Label Telecoms does not hold any Blue Label Telecoms Shares in treasury.

After Listing, the Private Placing Shares will rank *pari passu* with all other shares issued by Blue Label Telecoms.

The Pre-Listing Statement is not an invitation to the public to subscribe for Blue Label Telecoms Shares. The Private Placing is only open to Qualifying Investors in terms of the Offer for Subscription and to Qualifying Institutions in terms of the Offer for Sale.

The Pre-Listing Statement is issued in compliance with the Listings Requirements of the JSE for the purposes of giving information to the public with regard to Blue Label Telecoms. **The Listing of the Blue Label Telecoms Shares on the JSE is conditional upon the raising of a minimum amount of capital of R700 000 000, before listing expenses, in terms of the Offer for Subscription and a minimum amount of capital of R200 000 000, before listing expenses, in terms of the Offer for Sale.** The minimum amount of capital to be raised will first be satisfied from the Offer for Subscription and the balance from the Offer for Sale. Based on the Private Placing Price Range and assuming that only the minimum amount of capital has been raised, the maximum number of Blue Label Telecoms Shares available in terms of the Private Placing is 156 521 739 and the minimum number of Blue Label Telecoms Shares available is 133 333 333.

Subject to obtaining a spread of shareholders acceptable to the JSE, the JSE has granted Blue Label Telecoms approval for the Listing of a maximum number of 800 000 000 Blue Label Telecoms Shares in the Telecommunications – Mobile Telecommunications sector of the main board of the JSE under the abbreviated name “BlueTel” code “BLU” and “ISIN ZAE000109088”. It is anticipated that the Listing will be effective as from the commencement of trade on the JSE on Wednesday, 14 November 2007.

In accordance with the rules of the JSE, the Blue Label Telecoms Shares will only be traded in electronic form and as such all Blue Label Telecoms Shareholders who elect to receive shares in certificated form will have to Dematerialise their Certificated Shares should they wish to trade therein.

The Directors whose names appear in the “Corporate Information” section of this Pre-Listing Statement confirm that to the best of their knowledge and belief:

- the statements made in the Pre-Listing Statement are true and correct;
 - there are no facts which have been omitted which would make any statement false or misleading and that all reasonable inquiries to ascertain such facts have been made;
 - the Pre-Listing Statement contains all information required by law and in the JSE Listings Requirements;
- and in these circumstances the Directors accept responsibility for the information contained in this Pre-Listing Statement.

PricewaterhouseCoopers, whose reports are contained in this Pre-Listing Statement, have given and have not withdrawn their written consent to the inclusion of their reports in this Pre-Listing Statement in the form and context in which they appear. The Bookrunner, Investment Bank, Sponsor, Joint Financial Advisors, Legal Advisor, Auditors and Reporting Accountants and Transfer Secretaries, whose names are included in this Pre-Listing Statement, have given and have not, prior to publication, withdrawn their written consent to the inclusion of their names in the capacities stated and, where applicable, to their reports being included in this Pre-Listing Statement.

An abridged version of this Pre-Listing Statement will be released on SENS on Friday, 26 October 2007 and will be published in the press on Monday, 29 October 2007.

This Pre-Listing Statement is only available in English. Copies of this Pre-Listing Statement may be obtained from the registered offices of Blue Label Telecoms, the Sponsor or Transfer Secretaries, details of which are set out in the “Corporate Information” section of this Pre-Listing Statement.

**Bookrunner, Investment Bank and
Joint Financial Advisor**



Joint Financial Advisor



Legal Advisor



**Auditors and Reporting
Accountants**



Sponsor



IMPORTANT LEGAL NOTES

SPECIAL NOTE IN REGARD TO THE PRIVATE PLACING

This Pre-Listing Statement constitutes a Private Placing of Blue Label Telecoms Shares only in South Africa and to investors in other jurisdictions whom the Board wishes to invite in order to participate in the Private Placing and whom the Board may lawfully invite. The distribution of this Pre-Listing Statement and the Private Placing may be restricted by law. Persons into whose possession this Pre-Listing Statement comes, must inform themselves about and observe any such restrictions. This Pre-Listing Statement does not constitute an offer of, or an invitation to purchase, any of the Blue Label Telecoms Shares in any jurisdiction in which such Private Placing would be unlawful. No one has taken any action that would permit a public offering of Blue Label Telecoms Shares to occur outside South Africa.

To the extent that this Pre-listing Statement is provided to persons outside of South Africa the following is noted:

UNITED KINGDOM

The Pre-Listing Statement is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(1) of the United Kingdom Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (the "Order") or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(1) of the Order (all such persons together being referred to as "relevant persons"). The Blue Label Telecoms Shares offered pursuant to this Pre-Listing Statement have not been offered or sold nor will they be offered or sold in circumstances which have resulted or will result in a Private Placing to the public in the United Kingdom within the meaning of the United Kingdom Public Private Placing of Securities Regulations 1995. Any invitation, offer or agreement to subscribe, purchase or otherwise acquire any Blue Label Telecoms Shares offered pursuant to this Pre-listing statement will be engaged in only with relevant persons and where all applicable provisions of the United Kingdom Financial Services and Markets Act 2000 ("FSMA") have been complied with. Any person in the United Kingdom who is not a relevant person should not act or rely on this Pre-Listing Statement or any of its contents. In addition no person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received by it in connection with the issue or sale of any Blue Label Telecoms Shares offered pursuant to this Pre-Listing Statement, except in circumstances in which section 21(1) of FSMA does not apply.

GENERAL

This Pre-Listing Statement and the Private Placing do not constitute an offer in or from the United States, Canada, Australia, Japan or any other jurisdiction where the dissemination of this Pre-Listing Statement or the making of the Private Placing may be illegal or fails to conform to the laws of such jurisdiction ("Affected Jurisdiction"). To the extent that this Pre-Listing Statement may be sent to any Affected Jurisdiction, it is provided for information purposes only. Persons in Affected Jurisdictions may not accept the Private Placing. No person accepting the Private Placing should use the mail of any such Affected Jurisdiction nor any other means, instrumentality or facility in such Affected Jurisdiction for any purpose, directly or indirectly, relating to the Private Placing. It shall be the responsibility of any persons resident in a jurisdiction outside of South Africa to inform them about and observe any applicable legal requirements in the relevant jurisdiction.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Many of the statements included in this Pre-Listing Statement are forward-looking statements that involve risks and uncertainties. Forward-looking statements may generally be identified by the use of terminology such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "believe", or similar phrases. Other than statements of historical facts, all statements, including, among others, statements regarding the future financial position of the Blue Label Group, business strategy, projected levels of growth in its market, projected costs, estimates of capital expenditures and plans and objectives of management for future operation, are forward-looking statements. The actual future performance of the Blue Label Group could differ materially from these forward-looking statements. Important factors that could cause actual results to differ materially from these expectations include those risks set out in Part E of this Pre-Listing Statement headed "Risk

factors", as well as other matters not yet known to the Directors of Blue Label Telecoms or not currently considered material by them. Forward-looking statements should not be relied on and are deemed to be of no force and effect. Any reliance placed on forward-looking statements should be circumscribed and qualified by the contents of the cautionary statements made in this Pre-Listing Statement. Moreover, unless the Board is required by law or the Listings Requirements of the JSE to update these statements, they will not update any of these statements after the date of this Pre-Listing Statement, either to equate them to actual results or to changes in their expectations.

Special note regarding date of information provided

Unless the context clearly indicates otherwise, all information provided in this Pre-Listing Statement is provided as at the Last Practicable Date.

CORPORATE INFORMATION

Directors of Blue Label Telecoms

Laurence Michael Nestadt (*Chairperson*) *
Brett Marlon Levy (*Joint Chief Executive Officer*)
Mark Steven Levy (*Joint Chief Executive Officer*)
Mark Vivian Pamensky (*Chief Operating Officer*)
David Bryan Rivkind (*Chief Financial Officer*)
Sidney Ellerine #
Gary David Harlow *
Reitumetse Jackie Huntley *
Neil Norman Lazarus *
Joe Mthimunye #
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CONTENTS

	<i>Page</i>
IMPORTANT LEGAL NOTES	3
CORPORATE INFORMATION	5
SALIENT FEATURES	9
DEFINITIONS	13
PRE-LISTING STATEMENT	18
PART A: THE BUSINESS OF BLUE LABEL GROUP	18
1. Overview	18
2. Nature of business and strategy	19
3. Incorporation, history and restructure	19
4. Group structure	20
5. Overview of the Blue Label Group companies	22
6. Major and controlling Blue Label Telecoms shareholders	26
7. Key strengths	27
8. Strategies for growth	27
9. Prospects for the Blue Label Group	28
10. Rationale for listing	28
11. Key investment consideration	29
12. Information technology	29
13. Employees	30
14. BEE shareholding	30
15. Corporate social responsibility	31
PART B: MANAGEMENT AND CORPORATE GOVERNANCE	32
16. Directors and management	32
17. Appointment, qualification, remuneration and borrowing powers of Directors	37
18. Directors' interests in the share capital of Blue Label Telecoms	38
19. Management lock-in	39
20. Directors' interest in contracts	39
21. Corporate governance	40
PART C: FINANCIAL INFORMATION – PROFIT HISTORY, FORECAST AND DIVIDEND POLICY	44
22. Historical financial information	44
23. Unaudited <i>pro forma</i> financial information	44
24. Loan capital and material loans	46
25. Dividends and dividend policy	46
26. Material changes	46
27. Working capital	46

PART D: MANAGER'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS	47
28. Revenue	47
29. Gross profit	47
30. Operating profit	48
31. Operating costs	48
32. Depreciation, amortisation and impairment charges	48
33. Employee costs	48
34. Finance costs/(income)	49
35. Share of profit/(loss) from associates and joint ventures	49
36. Taxation	49
37. Net income after taxation according to segmental business split	50
PART E: RISK FACTORS	51
38. Risks related to the Blue Label Group	51
39. Risks related to the Private Placing	52
PART F: SHARE CAPITAL	53
40. Share Capital and Share Premium	53
41. Alterations to Share Capital and Share Premium in the past three years	54
42. Shares issued otherwise than for cash	54
43. Options or preferential rights in respect of Shares	55
44. Previous offers	55
PART G: PARTICULARS OF THE PRIVATE PLACING	56
45. Overview of the Private Placing	56
46. Rationale	56
47. Private Placing price	57
48. Salient dates of the Private Placing	57
49. Participation in the Private Placing	57
50. Parties who may not participate in the Private Placing	57
51. Applications	58
52. Dematerialisation of Private Placing shares	58
53. Allocation	58
54. Payment and delivery of Private Placing shares	59
55. Conditions precedent	59
56. Representation	59
57. Exchange control regulations	60
58. Applicable law	60
59. Strate	60
60. Listing of Blue Label Telecoms shares on the JSE	60
61. Further allotment	60
PART H: TAX AND EXCHANGE CONTROL	62
62. Taxation issues	62
63. Exchange Control	64

PART I: ADDITIONAL INFORMATION	65
64. Information on subsidiaries	65
65. Principal immovable property owned or leased	65
66. Property and Subsidiaries acquired or to be acquired	65
67. Property and Subsidiaries disposed of or to be disposed of	65
68. Interest of advisors and promoters	65
69. Material contracts	66
70. Material capital commitments	66
71. Contingent liabilities	66
72. Lease payments	66
73. Loan capital and material loans	66
74. Litigation statement	67
75. Expenses	67
76. Commissions paid or payable in respect of underwriting	67
77. Consents	67
78. Documents available for inspection	67
Annexure 1 The Restructuring	69
Annexure 2 Three years consolidated historical financial information of the Prepaid Company (Proprietary) Limited	74
Annexure 3 Independent reporting accountants' report on the historical financial information of TPC	140
Annexure 4 Historical financial information of the Blue Label Telecoms	144
Annexure 5 Independent reporting accountants' report on the historical financial information of Blue Label Telecoms	146
Annexure 6 <i>Pro forma</i> financial information of the Blue Label Telecoms	148
Annexure 7 Independent reporting accountants' report on the <i>pro forma</i> historical financial information of Blue Label Telecoms	152
Annexure 8 Unaudited profit forecast and <i>pro forma</i> profit forecast of the Blue Label Group	154
Annexure 9 Independent reporting accountants' report on the unaudited profit forecast of the Blue Label Group	156
Annexure 10 Independent reporting accountants' report on the unaudited <i>pro forma</i> profit forecast of the Blue Label Group	157
Annexure 11 Particulars and remuneration of the Directors and senior management of the Blue Label Group	159
Annexure 12 Details of the subsidiary companies and their Directors	168
Annexure 13 Details of principal immovable properties leased or owned	172
Annexure 14 Details of material borrowings and material loans	173
Annexure 15 Extracts from the articles of association of Blue Label Telecoms	176
Annexure 16 Extracts from the articles of association of Blue Label Group subsidiaries	183
Annexure 17 Material contracts entered into by the Blue Label Group in the three years preceding the date of the Pre-Listing Statement	190
Annexure 18 Details of vendors	198
Private placement application form	Attached

SALIENT FEATURES

The following information is only a summary of the more detailed information contained in the main body of this Pre-Listing Statement and it may not contain all the information that investors should consider before deciding to invest in the Blue Label Telecom Shares. Investors should read the entire Pre-Listing Statement, including the "Risk Factors" included in Part E to this Pre-Listing Statement, the financial information sections and other information about Blue Label Telecoms contained herein.

The definitions and interpretation set out on pages 13 to 17 of this Pre-Listing Statement apply *mutatis mutandis* to the salient features presented below.

OVERVIEW

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

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

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

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

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

KEY STRENGTHS

An experienced entrepreneurial management team with a proven track record

The co-founders of the Blue Label Group, Brett Marlon Levy and Mark Steven Levy, are an integral component of the existing management team. The Blue Label Group management team has extensive experience in the prepaid and related markets.

Established distribution footprint

The Blue Label Group is one of the leading distributors of prepaid airtime in South Africa and distributes its prepaid products to more than 100 000 points of presence within South Africa.

Key agreements and licenses with South African telecommunication network operators

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

Strong growth potential through exposure to developing economies

The Blue Label Group has established distribution footprints in India and Africa. The Blue Label Group is well-positioned to take advantage of the forecast growth in these emerging mobile markets.

Proven financial performance and stable cash flows

TPC, the main operating subsidiary of the Blue Label Group, has a proven track record of over 6 years. The Blue Label Group has achieved an average annual compound growth rate from 2003 to 2007 in net income after tax and turnover of 57% and 53% respectively.

PROSPECTS FOR THE BLUE LABEL GROUP

The Blue Label Group has experienced substantial increases in revenue and profitability over the past 6 years, has expanded its distribution network through organic growth and strategic acquisitions and has consolidated and secured its supply chain. These developments are expected to continue in the near term.

The Blue Label Group has benefited from strong economic growth in South Africa in recent years. Improved economic fundamentals and relaxed fiscal policies have resulted in an increase in average disposable income and employment levels in South Africa. Over the last 5 years cell phone penetration has increased from 38% to 82%, as at June 2007. Currently, South Africa has in excess of 41 million mobile phone subscribers. Approximately 85% of the mobile phone market is prepaid mobile phone users. The positive economic growth is expected to continue in anticipation of continued global economic growth, which should result in a further improvement in cell phone penetration in South Africa. The demand for cell phone airtime is also fairly inelastic and a decrease in consumer demand for general products in South Africa, as a result of a tightening in monetary policy, should not have a significant effect on the demand for prepaid airtime.

The Blue Label Group, through its extensive distribution footprint, is well positioned to benefit from any increase in prepaid airtime demand. The Blue Label Group has an established distribution network in India that facilitates the distribution of various prepaid products and that allows for third party bill payments. The Blue Label Group had more than 40 000 prepaid terminals deployed in India at the end of May 2007. The Blue Label Group expects this deployment to grow in relation to the forecast market growth in India. Favourable economic conditions in India are resulting in a rise in per-capita income. This increased wealth, coupled with a decline in import tariffs on mobile phones and pro-mobile industry government regulations enacted by the Indian government has resulted in an increase in the mobile phone users in India. Prepaid mobile users are currently approximately 80% of the total mobile market and are expected to increase to 90% in 2011. This, together with the anticipated growth in the Indian mobile market, is expected to result in prepaid mobile users increasing to approximately 484 million in 2011.⁽¹⁾

The Blue Label Group is currently operational in Africa with business operations in Mozambique and in the Democratic Republic of Congo. The Group is constantly seeking to benefit from new partnerships in African countries. Increased demand in its current African geographies, combined with anticipated future roll-out in other African countries is expected to stimulate the performance of the Blue Label Group in Africa.

In addition, the Group has expanded its operations in recent years to include related services, linked to the telecommunications industry. Such related services include Cellfind and Datacel.

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

Datacel is an outbound and inbound call centre operator that services and sells Blue Label Group and third party products.

Datacel focuses on the maximisation of income generated from the databases available to it. Datacel has embarked on a strategy of acquiring and growing its own call centre operations and has acquired Velociti in addition to the current Blue Label Call Centre. This acquisition should allow for the business to expand its current product and services range.

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

SUMMARY OF FINANCIAL INFORMATION

The unaudited *pro forma* income statement for the year ended 31 May 2007, assuming that the Restructuring was implemented from 1 June 2006, the forecast income statement for the year ended 31 May 2008 reflecting the restructure and capital raising as at the effective date of 1 November 2007 and the *pro forma* forecast income statement for the year ended 31 May 2008, which assumes that the restructure and capital raising were effective from 1 June 2007, are set out below.

This information has been extracted from the unaudited financial information for Blue Label Telecoms, disclosed in Annexure 6 and Annexure 8 to this Pre-Listing Statement.

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

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

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

SUMMARY OF THE PRIVATE PLACING

The Private Placing comprises:

- an Offer for Subscription to Qualifying Investors of a maximum value of R1 000 000 000; and
- an Offer for Sale to Qualifying Institutions of a maximum value of R376 467 352.

The salient terms of the Offer for Subscription and the Offer for Sale are as follows:

	Offer for Subscription	Offer for Sale
Private Placing Price Range	R5.75 – R6.75	R5.75 – R6.75
Maximum value to be raised	R1 000 000 000	R376 467 352
Number of shares offered	173 913 043 – 148 148 148	65 472 583 – 55 772 941
Minimum value to be raised	700 000 000	200 000 000
Number of shares offered	121 739 130 – 103 703 704	34 782 608 – 29 629 629
Participants	Qualifying Investors	Qualifying Institutions
Minimum rand value of subscription per subscriber acting as applicant	R100 000	R100 000

The Listing of the Blue Label Telecoms Shares on the JSE is conditional upon the raising of a minimum amount of capital of R700 000 000, before listing expenses, in terms of the Offer for Subscription and a minimum amount of capital of R200 000 000, before listing expenses, in terms of the Offer for Sale.

JSE approval of the Listing is conditional on the attainment of a spread of shareholders acceptable to the JSE, constituting 300 public shareholders. A minimum of 20% of the Blue Label Telecoms Shares will be held by the public as required in the Listings Requirements.

SALIENT DATES AND TIMES

2007

Abridged Pre-Listing Statement released on SENS	Friday, 26 October
Pre-Listing Statement available	Monday, 29 October
Abridged Pre-Listing Statement published in the press	Monday, 29 October
Opening Date of the Private Placing (09:00)	Monday, 29 October
Last date for indications of interest for the purposes of the bookbuild (12:00)	Thursday, 8 November
Expected Closing Date of the Private Placing (12:00)	Thursday, 8 November
Final allocation of Blue Label Telecoms Shares	Friday, 9 November
Receive payment from Qualifying Investors in respect of allocations made	Monday, 12 November
Blue Label Telecoms Shares listed on the JSE	Wednesday, 14 November

All references to time are to local time in South Africa. The above dates and times are subject to change. Any material change will be released on SENS and published in key South African newspapers.

COMPETITION TRIBUNAL APPROVAL

The Restructuring was approved by the Competition Tribunal on 26 September 2007 in terms of the Competition Act of 1998, as amended.

RISK FACTORS

Part E to this Pre-Listing Statement, entitled "Risk Factors", describes certain risks that should be considered, together with the remaining information in this Pre-Listing Statement, before making a decision to purchase any Blue Label Telecoms Shares. Although information has been provided in this Pre-Listing Statement in relation to the Blue Label Telecoms Shares, a prospective purchaser should use his or her own judgement and seek advice from an independent financial advisor as to the appropriate value of the Blue Label Telecoms Shares.

DEFINITIONS

“aloeCap”	aloeCap (Proprietary) Limited (Registration number 1997/020270/07), a private company incorporated in South Africa;
“Articles of Association”	the articles of association of Blue Label Telecoms;
“Activi Technology”	Activi Technology Services (Proprietary) Limited (Registration number 2006/020927/07), a private company incorporated in South Africa;
“APS”	Africa Prepaid Services (Proprietary) Limited (Registration number 2004/035253/07), a private company incorporated in South Africa;
“the Act”	the South African Companies Act, 1973 (Act 61 of 1973), as amended;
“BBBEE Act”	the Broad-Based Black Economic Empowerment Act, No.53 of 2003, as amended;
“BEE”	Black Economic Empowerment as envisaged in the BBBEE Act;
“Board”	the Board of Directors of Blue Label Telecoms, whose names are given in the “Corporate Information” section of this Pre-Listing Statement;
“Bookrunner”	Investec Bank;
“Blue Label One”	Blue Label One (Proprietary) Limited (Registration number 2005/033903/07), a private company incorporated in South Africa;
“Blue Label Telecoms” or “the Company”	Blue Label Telecoms Limited (Registration number 2006/022679/07), a public company incorporated in South Africa, the shares of which are to be listed on the JSE and which company was previously a dormant company known as Friedshelf 776 (Proprietary) Limited;
“Blue Label Telecoms Shares”	Ordinary shares with a par value of R0.000001 each in the authorised and issued share capital of Blue Label Telecoms;
“Blue Label Telecoms Shareholder(s)”	an individual(s) who holds shares in the issued share capital of Blue Label Telecoms;
“Blue Label Group” or “the Group”	Blue Label Telecoms, its subsidiaries, associates and joint ventures;
“BLI”	Blue Label Investments (Proprietary) Limited (Registration number 2001/003778/07), a private company incorporated in South Africa;
“BLI Group”	BLI, its subsidiaries, associates and joint ventures;
“BLI Non-Core Assets”	BLI investments that will not be included in the Listing and that will be sold to Newco in terms of the Restructuring prior to the Listing, which include investments in the following companies: <ul style="list-style-type: none">– Siyathenga (Proprietary) Limited (Registration number 2006/014612/07);– Forward Zone Sports Agency (Proprietary) Limited (Registration number 1999/003567/07);– Umusa Monetary Platform (Proprietary) Limited (Registration number 2002/024696/07);– Friedshelf 688 (Proprietary) Limited (Registration number 2005/041938/07) holding 100% of Coin-IT Administration and Marketing (Proprietary) Limited (Registration number 2005/018062/07);– Retail Ventures (Proprietary) Limited (Registration number 2003/029956/07);– Furniture Ventures (Proprietary) Limited (Registration number 2005/014203/07);– Blue Label Properties (Proprietary) Limited (Registration number 1998/022459/07);

- Blue Label Private Equity (Proprietary) Limited (Registration number 2004/028543/07);
- ZOK Cellular (Pty) Limited (Registration number 2004/011668/07); and
- Prepaid TV & Utilities (Proprietary) Limited (Registration number 2005/022264/07).

“BLI Share Sale Agreement”	the share sale agreement entered into between Blue Label Telecoms and the BLI Shareholders, in terms of which Blue Label Telecoms acquires all the shares in the share capital of BLI;
“BLI Shareholder(s)”	a person(s) who hold(s) shares in the issued share capital of BLI;
“Budding Trade”	Budding Trade (Proprietary) Limited (Registration number 2001/012758/07), a private company incorporated in South Africa;
“Business Day”	any day other than a Saturday, Sunday or official public holiday in South Africa;
“Cell C”	Cell C (Proprietary) Limited (Registration number 1997/007722/07), a private company incorporated in South Africa;
“Cellfind”	Cellfind (Proprietary) Limited (Registration number 2003/020255/07), a private company incorporated in South Africa;
“Certificated Shares”	Blue Label Telecoms Shares, which are held and represented by a share certificate or other documents of title, which have not been Dematerialised in terms of the requirements of Strate;
“Certificated Shareholders”	holders of Certificated Shares;
“Closing Date”	the Closing Date of the Private Placing, expected to be Thursday, 8 November 2007, but may be amended by Blue Label Telecoms by way of an announcement in the press and on SENS;
“Common Monetary Area”	collectively, South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland;
“CSDP”	a Central Securities Depository Participant, accepted as a participant in terms of the Securities Services Act, No. 36 of 2004, as amended;
“Datacel”	Datacel (Proprietary) Limited (Registration number 2004/029753/07), a private company incorporated in South Africa;
“Dematerialise”	the process by which Blue Label Telecoms shares held by Certificated Shareholders are converted to, or held in, electronic form as Dematerialised Shares and recorded in the sub-register of members maintained by a CSDP;
“Dematerialised Shares”	Blue Label Telecoms Shares which have been Dematerialised in terms of the requirements of Strate through a CSDP or broker and are held in Blue Label Holdings' sub-register of members administered by a CSDP in electronic form;
“Dematerialised Shareholders”	holders of Dematerialised Shares;
“Directors”	the Board of Directors of Blue Label Telecoms, whose names are given in the “Corporate Information” section of this Pre-Listing Statement;
“e-Voucha”	e-Voucha (Proprietary) Limited (Registration number 2006/025888/07), a private company incorporated in South Africa;
“Friedshelf 649”	Friedshelf 649 (Proprietary) Limited (Registration number 2005/033740/07), a private company incorporated in South Africa, holding a 25.2% equity interest in WBSH;
“Further Allotment Option”	the further allotment option as explained in paragraph 61 of this Pre-Listing Statement;
“Gold Label”	Gold Label (Proprietary) Limited (Registration number 2003/014792/07), a private company incorporated in South Africa;
“Group”	the Blue Label Group, as defined;

“HOBS”	House of Business Solutions (Proprietary) Limited (Registration number 2003/015576/07), a private company incorporated in South Africa;
“IFRS”	International Financial Reporting Standards;
“Investment Bank”	Investec Corporate Finance, a division of Investec Bank;
“Investec Bank”	Investec Bank Limited (Registration number 1969/004763/06), a public company incorporated in South Africa;
“IT”	information technology;
“JSE”	the JSE Limited (Registration number 2005/022939/06), a public company incorporated in accordance with the laws of South Africa, which is licensed as an exchange under the Securities Services Act, 2004 (Act 36 of 2004);
“King Code”	the Code of Corporate Practices and Conduct as set out in the Second King Report on Corporate Governance;
“Kwikpay”	Kwikpay SA (Proprietary) Limited (Registration number 2004/030945/07), a private company incorporated in South Africa;
“Last Practicable Date”	the last practicable date before finalisation of this Pre-Listing Statement, being Thursday, 25 October 2007;
“Listing”	the proposed listing of the Blue Label Telecoms Shares on the JSE;
“Listing Date”	the date that the Blue Label Telecoms shares are to be listed on the JSE, which date is expected to be Wednesday, 14 November 2007;
“Listing Requirements”	the Listing Requirements of the JSE;
“Management Bonus Settlement Agreement”	the agreement entered into between TPC and Brett Marlon Levy and Mark Steven Levy for the settlement of the original TPC management bonus agreement, as explained in paragraph 20 to this Pre-Listing Statement;
“Matragon”	Matragon (Proprietary) Limited (Registration number 2002/005572/07), a private company incorporated in South Africa;
“Matrix”	Matrix Investments No. 4 (Proprietary) Limited (Registration number 2003/016414/07), a private company incorporated in South Africa;
“MTN”	MTN Group Limited (Registration number 1994/009574/05), a public company incorporated in South Africa;
“Newco”	Newshelf 828 (Proprietary) Limited (Registration number 2006/018404/07), a private company incorporated in South Africa and the company into which the BLI Non-Core Assets will be transferred in terms of the Restructuring;
“Nthwese”	Nthwese Investment Holdings Consortium (Proprietary) Limited (Registration number 2004/025336/07), a private company incorporated in South Africa;
“Opening Date”	the opening date of the Private Placing, expected to be Monday, 29 October 2007, but may be amended by way of an announcement in the press and on SENS;
“Offer for Sale”	a private placing to Qualifying Institutions of a maximum value of R376 467 352 of Blue Label Telecoms Shares priced between R5.75 and R6.75 per Blue Label Telecoms Share in terms of an offer for sale by certain of the Blue Label Telecoms Shareholders. In terms of the Offer for Sale and based on the Private Placing Price Range, the maximum number of Blue Label Telecoms Shares to be issued will be 65 472 583 and the minimum number of Blue Label Telecoms Shares to be issued will be 55 772 941;
“Offer for Subscription”	a private placing to Qualifying Investors of a maximum value of R1 000 000 000 of new Blue Label Telecoms Shares, priced between R5.75 and R6.75 per Blue Label Telecoms Share, in terms of an offer for subscription and including the Preferential Placement. In terms of the Offer for Subscription and based on the Private Placing Price Range, the maximum number of Blue

	Label Telecoms Shares to be issued will be 173 913 043 and the minimum number of Blue Label Telecoms Shares to be issued will be 148 148 148;
“Oxygen India”	Oxygen Services (India) Private Limited (Registration number U74999DL2003PTC121961), a private company incorporated in India;
“PIC”	the Public Investment Corporation, an investment management company wholly-owned by the South African government, established in terms of the Public Investment Corporation Act, 2004;
“POS”	Point of sale;
“Placees”	those persons and/or entities selected from the Qualifying Investors and Qualifying Institutions that will participate in the Private Placing;
“Preferential Placement”	a private placing to Preferential Placees of a maximum value of R200 000 000 of new Blue Label Telecoms Shares and which will form part of the Offer for Subscription;
“Preferential Placees”	selected Blue Label Group business associates and selected individual investors invited by the Directors and who may participate in the Preferential Placement;
“Pre-Listing Statement”	this entire document and all annexures to it;
“Private Placing”	the Offer for Subscription and the Offer for Sale, collectively;
“Private Placing Price”	the price at which the Blue Label Telecoms Shares will be allocated to Placees in terms of the Private Placing, to be determined in accordance with the provisions of paragraph 47 headed “Private Placing Price”;
“Private Placing Price Range”	the proposed pricing range of the Private Placing, being R5.75 to R6.75;
“Private Placing Shares”	the Blue Label Telecoms Shares placed with Placees in terms of the Offer for Sale and Offer for Subscription pursuant to this Pre-Listing Statement;
“PWC”	PriceWaterhouseCoopers Inc, Chartered Accountants (SA), registered accountants and auditors incorporated in South Africa under Registration number 1998/012055/21, being the auditors and accountants of Blue Label Telecoms;
“Qualifying Institution”	selected qualifying institutions as defined by section 144 (1)(a) of the Act;
“Qualifying Investors”	selected Qualifying Institutions, selected private client stockbrokers and Preferential Placees, invited by the Directors and who may participate in the Private Placing;
“Rand” or “R”	South African Rands;
“Restructuring”	the restructuring of the Blue Label Group as explained in Annexure 1 of this Pre-Listing Statement;
“Restructuring Agreements”	all the agreements, as listed in Annexure 17, entered into to give effect to the Restructuring;
“Restructuring Date”	the date on which the Board approves the restructuring, which date is likely to be approximately 5 Business Days before Listing Date;
“SA GAAP”	Statements of South African Generally Accepted Accounting Practice;
“SARS”	the South African Revenue Services;
“SENS”	Securities Exchange News Service of the JSE;
“Settlement Date”	the date of implementation of the Private Placing when the Blue Label Telecoms Shares purchased pursuant to the Offer for Sale and subscribed for pursuant to the Offer for Subscription, will be transferred to Placees against payment of the Private Placing Price in accordance with paragraph 54 headed “Payment and delivery of Private Placing Shares”, expected to be Tuesday, 13 November 2007;

“SharedPhone”	SharedPhone International (Proprietary) Limited (Registration number 1998/023432/07), a private company incorporated in South Africa;
“Shotput Investments”	Shotput Investments (Proprietary) Limited (Registration number 1999/008260/07), a private company incorporated in South Africa;
“South Africa”	the Republic of South Africa;
“South African Exchange Control”	the Exchange Control Department of the South African Reserve Bank;
“South African Mobile Network Operators”	mobile operators in South Africa, being Cell C, MTN and Vodacom;
“Sponsor”	Investec Bank;
“Strate”	Strate Limited (Registration number 1998/022242/06), a public company duly registered and incorporated in South Africa and which is a registered central depository responsible for the electronic custody and settlement system of the JSE;
“Telkom”	Telkom SA Limited (Registration number 1991/005476/06), a public company incorporated in South Africa;
“TPPC”	The Post Paid Company (Proprietary) Limited (Registration number 2004/021859/07), a private company incorporated in South Africa;
“TPC”	The Prepaid Company (Proprietary) Limited (Registration number 1999/016716/07), a private company incorporated in South Africa;
“USSD”	Unstructured Supplementary Service Data, a Global System for Mobile communication technology that is used to send text between a mobile phone and an application program in the network – applications may include prepaid roaming or mobile chatting;
“Ventury”	Ventury Group (Proprietary) Limited (Registration number 1996/016921/07), a private company incorporated in South Africa;
“Virtual Voucher”	Virtual Voucher (Proprietary) Limited (Registration number 2001/012971/07), a private company incorporated in South Africa;
“Vodacom”	Vodacom Group (Proprietary) Limited (Registration number 1993/003367/07), a private company incorporated in South Africa;
“WASP”	Wireless Application Service Provider, being a provider of remote services, typically to hand-held devices that connect to wireless data networks such as cell phones;
“WBS”	Wireless Business Solutions Service Provider Company (Pty) Limited (Registration number 1996/013739/07), a private company incorporated in South Africa; and
“WBSH”	WBS Holdings (Pty) Limited (Registration number 1999/011226/07), a private company incorporated in South Africa, which company is the holding company for WBS and iBurst (Proprietary) Limited (Registration number 2004/023951/07).



Blue Label Telecoms Limited

(Previously Friedshel 776 (Proprietary) Limited)

(Incorporated in the Republic of South Africa)

(Registration number 2006/022679/07)

JSE code: BLU ISIN: ZAE000109088

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

PRE-LISTING STATEMENT

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

PART A: THE BUSINESS OF THE BLUE LABEL GROUP

I. OVERVIEW

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

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

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

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

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

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

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

2. NATURE OF BUSINESS AND STRATEGY

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

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

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

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

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

3. INCORPORATION, HISTORY AND RESTRUCTURE

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

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

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

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

The Restructuring will include the following:

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

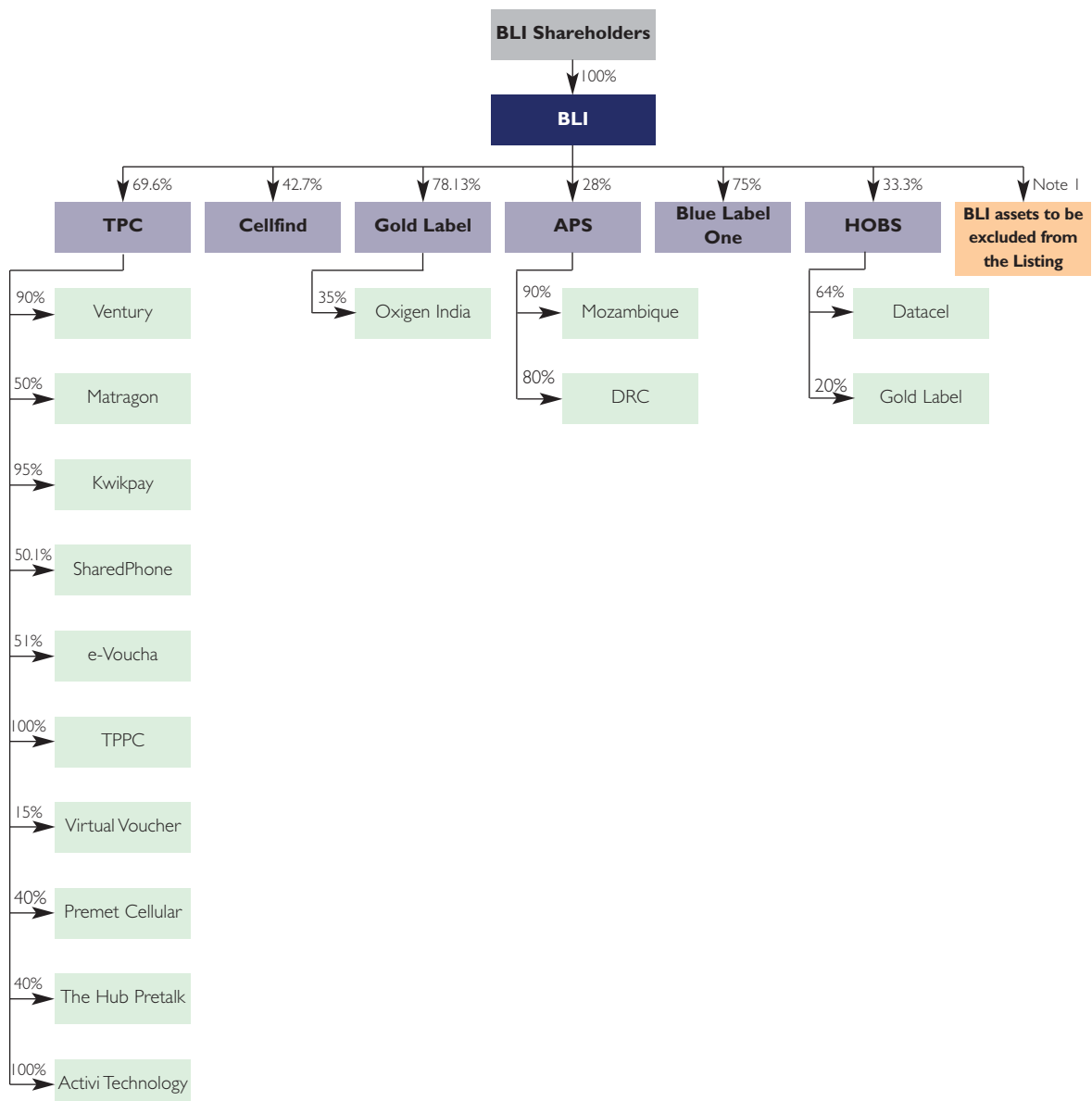
- Blue Label Telecoms will acquire all of the issued shares in BLI and the BLI Shareholder loan claims from the BLI Shareholders;
- BLI will unbundle its 69.6% interest in TPC to Blue Label Telecoms;
- Blue Label Telecoms will acquire the remaining 30.4% of TPC from Shotput Investments; and
- Blue Label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

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

4. GROUP STRUCTURE

4.1 Group structure prior to the Restructuring

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

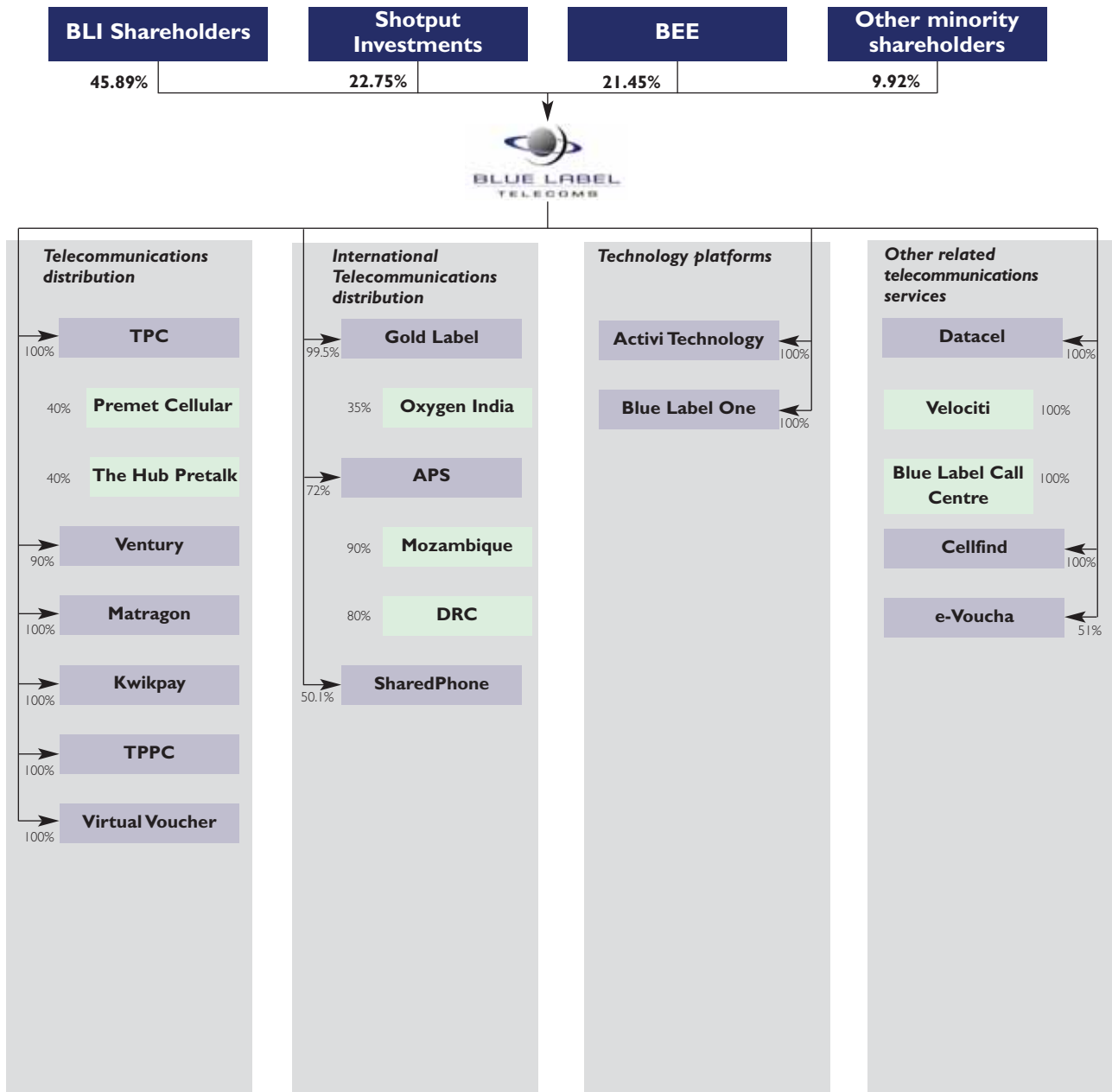


Note I: The BLI assets that will not be part of the Listing include:

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

4.2 Group structure post the Restructuring

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



5. OVERVIEW OF THE BLUE LABEL GROUP COMPANIES



Blue Label Telecoms

- **Corporate head office**

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



TPC (100%)

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

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

TPC has four key operating divisions:

TPC virtual prepaid division

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

TPC retail division

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

TPC starter pack division

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

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

Revenue earned from the distribution of starter packs includes:

Activation income

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

Ongoing revenue

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

TPC physical airtime division

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



Ventury (90%)

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

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

The key subsidiaries of Ventury are:

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

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

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

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



Matragon (100%)

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

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

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

Comm Express

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

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

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



Kwikpay (100%)

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

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



Virtual Voucher (100%)

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

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

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



TPPC (100%)

- **Sells post paid and hybrid contracts**

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



Gold Label (99.5%)

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

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

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

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

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



APS (72%)

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

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

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

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

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



Blue Label One (100%)

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

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

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

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

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



Activi Technology (100%)

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

Activi Technology operates through 3 subsidiaries:

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

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

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

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

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

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



Cellfind (100%)

- **Location based services**

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

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

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

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



Datacel (100%)

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

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



SharedPhone (50.1%)

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

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

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



e-Voucha (51%)

• A card system that facilitates the settlement of insurance claims

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

6. MAJOR AND CONTROLLING BLUE LABEL TELECOMS SHAREHOLDERS

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

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

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

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

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

7. KEY STRENGTHS

Blue Label Telecoms' strengths include:

7.1 An experienced entrepreneurial management team with a proven track record

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

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

7.2 Established distribution footprint

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

7.3 Key agreements and licenses

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

7.4 Strong growth potential through exposure to developing economies

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

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

7.5 Proven financial performance and stable cash flows

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

8. STRATEGIES FOR GROWTH

8.1 Blue Label Telecoms distribution network growth

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

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

8.2 Synergy within Blue Label Telecoms

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

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

8.3 Improved cost structure within Blue Label Telecoms

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

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

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

9. PROSPECTS FOR THE BLUE LABEL GROUP

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

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

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

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

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

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

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

10. RATIONALE FOR LISTING

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

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

11. KEY INVESTMENT CONSIDERATION

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

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

12. INFORMATION TECHNOLOGY

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

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

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

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

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

12.2 Dependence on IT

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

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

12.3 Disaster recovery procedures

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

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

12.4 Security

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

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

12.5 Support management

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

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

13. EMPLOYEES

13.1 Promotion of employee development

Skills development

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

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

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

Employment Equity

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

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

14. BEE SHAREHOLDING

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

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

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

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

14.1 Overview of Nthwese

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

The shareholders of Nthwese are as follows:

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

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

15. CORPORATE SOCIAL RESPONSIBILITY

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

Social initiatives include the following:

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

PART B: MANAGEMENT AND CORPORATE GOVERNANCE

16. DIRECTORS AND MANAGEMENT

16.1 Directors

Details of the current Directors of Blue Label Telecoms are set out below:

Name	Business address	Occupation/function	Term of office
Laurence Michael Nestadt	21 West Street Houghton	Chairperson (Non-Executive)*	Not fixed (rotation every three years)
Brett Marlon Levy	75 Grayston Drive Sandton	Joint Chief Executive Officer	Fixed
Mark Steven Levy	75 Grayston Drive Sandton	Joint Chief Executive Officer	Fixed
Mark Vivian Pamensky	75 Grayston Drive Sandton	Chief Operating Officer	Fixed
David Bryan Rivkind	75 Grayston Drive Sandton	Chief Financial Officer	Fixed
Sidney Ellerrine	51 West Street Houghton	Director (Non-Executive)	Not fixed (rotation every three years)
Gary David Harlow	6 Cowie Road Forest Town Johannesburg	Director (Non-Executive)*	Not fixed (rotation every three years)
Reitumetse Jackie Huntley	1 Scott Street Rutherford Estate 1st Floor, Building A Unit A1, Waverley	Director (Non-Executive)*	Not fixed (rotation every three years)
Neil Norman Lazarus	55 Morsim Road Hyde Park	Director (Non-Executive)*	Not fixed (rotation every three years)
Joe Mthimunye	Ground Floor, Block C Grinaker LTA Park 204 Rivonia Road Morningside	Director (Non-Executive)	Not fixed (rotation every three years)
Herbert Cedrick Theledi	Unit 103, 1st Floor 122 Pybus Road Sandton	Director (Non-Executive)	Not fixed (rotation every three years)
Lucy ("Pani") Mamage Tyalimpi	PIC Building Glenfield Office Park Corner Oberon/ Glenwood Road Faerie Glen Pretoria	Director (Non-Executive)*	Not fixed (rotation every three years)

* Independent directors

The Board comprises 4 executive directors and 8 non-executive directors. All Non-Executive Directors have been appointed on a rotational basis, and are obliged to retire and are eligible for re-election by Blue Label Telecoms Shareholders at least once every three years in accordance with the Articles of Association. All the Directors are citizens of South Africa.

The profiles of the Directors are set out below:

Laurence Michael Nestadt (“Larry”) – Chairman (57)

Larry has experienced a long and successful corporate career, both in South Africa and internationally. Larry is a co-founder and former executive director of Investec Bank Limited. He assisted in the creation and strategic development of a number of listed companies such as Capital Alliance Holdings Limited, Super Group Limited, Hosken Consolidated Investments Limited, SIB Holdings Limited and Global Capital Limited. In addition to having served as past chairman on the boards of these aforementioned companies, he is currently the executive chairman of Global Capital (Proprietary) Limited. Larry has also served on the board of directors of Softline Limited, JCI Limited and Abacus Technologies Holdings Limited. Larry was a former director of the board on a number of non-listed companies, both internationally and locally; namely Stenham Limited (UK) and Prefsure Life Limited (AUS), the Pro Shop Group, Melrose Nissan, SellDirect Marketing (Proprietary) Limited, BCE Foodservice Equipment (Proprietary) Limited and Placo Holdings (Proprietary) Limited. Larry is a respected member of the South African business community and it is anticipated that his strategic vision and experience will contribute significantly to the Board.

Brett Marlon Levy – Chief Executive Officer (32)

Brett has an impressive entrepreneurial history. Having founded and operated a number of small businesses from the early 1990's, he has been involved in a wide spectrum of industries ranging from the distribution of fast-moving consumer goods to electronic insurance replacement. His achievements have seen him secure a number of prestigious awards, including the ABSA Bank Jewish Entrepreneur of the Year Award (2003) and more recently, the ABSA Jewish Business Achiever Non-Listed Company Award (2007), which he won jointly with his brother and business partner Mark Levy. Brett has been nominated, with his brother, as an Ernst & Young World Entrepreneur SA Finalist for 2007.

Mark Steven Levy – Chief Executive Officer (36), B.Compt (UNISA)

Mark graduated with a B.Compt degree from UNISA in 1993. After taking up a position as a commodity trader, Mark pursued his goal of becoming an entrepreneur in earnest. Beginning in the electronic goods and IT sector, the Blue Label Group's interests now span two continents. Recently, together with his brother Brett, Mark won the ABSA Jewish Business Achiever Non-Listed Company Award (2007). Mark has spent the last several years spearheading the Blue Label Group's impressive growth through technology, development, and international expansion, all the while remaining committed to local social upliftment and investment. Mark has been nominated, with his brother, as an Ernst & Young World Entrepreneur SA Finalist for 2007.

Mark Vivian Pamensky – Chief Operating Officer (35), CA(SA), B.Com. (WITS), B.Compt (Hons) (UNISA)

Mark completed his articles with PriceWaterhouseCoopers before moving to the corporate finance department of Mercantile Bank. In 1999 he joined a boutique corporate advisory firm, Nucleus Corporate Finance. Mark joined BLI in 2001 and currently serves as Chief Executive Officer of TPC. Mark has played an integral role in the strategic and operational management of the Blue Label Group and much of its telecommunications footprint can be attributed to his leadership. Mark is a member of the South African Institute of Chartered Accountants (SAICA) and the Young Presidents Organisation (YPO).

David Bryan Rivkind – Chief Financial Officer (35), CA(SA), B.Acc (UNISA)

David commenced articles at Papilsky Hurwitz (CA). In 1999 David joined Merrill Lynch International (UK) as a financial controller and was also employed by Credit Suisse for a brief period. David returned to South Africa in 2002 and was offered the position of Financial Director at Integr8IT (Proprietary) Limited. He was shortly thereafter appointed Chief Financial Officer for BLI where he contributed significantly to the rapid growth of the Blue Label Group. David is a member of SAICA.

Sidney Ellerin – Non-Executive Director (71)

Sidney served on the board of directors for Ellerin Holdings Limited until his retirement. He is now actively involved in the running of his family business, Ellerin Bros. (Proprietary) Limited, a company involved in private equity and the real estate industry.

Herbert Cedrick Theledi – Non-Executive Director (43), B.Com. (UNIN), H.Dip Ed (WITS)

Herbert matriculated from Thembeke High School in 1984. He later obtained a BCom degree from the University of the North. He currently serves as managing director and chairperson of Nthwese. Herbert holds shares and directorships in various multi-faceted businesses operating in the property, warehousing, logistics, motor dealership and distribution industries. Herbert serves in several business and community forums in the country.

Neil Norman Lazarus – Non-Executive Director (49), BA.LLB (WITS)

Neil graduated from the University of the Witwatersrand in 1981 with a BA, LLB degree. After completing his articles, he was admitted as an attorney and as advocate in 1984. He was appointed as senior counsel by President Nelson Mandela in 1998 where he served as an acting judge. As an advocate, Neil specialised in corporate restructures, mergers and acquisitions and was involved in significant corporate reorganisations both locally and internationally. Upon leaving the profession in 2000 he acted as a corporate finance and strategic legal advisor in a number of local and international transactions. He advises the board of directors of a number of listed and non-listed companies on strategic, legal and corporate finance matters. Neil has served on the boards of directors of a number of public and significant non-listed companies. He is currently the chairman of a public company.

Reitumetse Jackie Huntley – Non-Executive Director (45) B.Proc, LLB (WITS)

Jackie is a practicing attorney with the law firm Mkhabela Huntley Adekeye Incorporated. She obtained her B.Proc and LLB degrees from the University of Witwatersrand and her Management Advance Programme (MAP) at Wits Business School. Jackie joined Gold Fields of South Africa Limited as a legal advisor in the commercial law department. She subsequently joined Nedcor Bank Limited, where she spent four years.

Jackie has extensive experience in commercial and corporate law, including telecommunications law. She also worked extensively with issues pertaining to low cost housing and advised both the Department of Housing and various other institutions in the housing sector on housing policy issues and their legal aspects. Jackie was recently appointed to the board of Telkom.

Gary David Harlow – Non-Executive Director (49), CA(SA), B.Bus.Sci (Hons) (UCT)

Gary matriculated in 1975 from the South African College School in Cape Town. After graduating from the University of Cape Town in 1979, he qualified as a Chartered Accountant (SA) in 1982, an Associate of the Chartered Institute of Management Accountants (UK) in 1983 and as a Fellow Chartered Management Accountant (UK) in 1996. After forging a career in merchant banking, Gary was appointed financial advisor to the African National Congress in the early 1990's. In 1992, he played an instrumental role in the creation of Thebe Investment Corporation and also served as Chief Executive Officer of Msele Corporate and Merchant Bank, South Africa's first black-controlled merchant bank. Gary was appointed Group Chief Executive Officer of Unihold Limited in 1996, where he led the transformation from an engineering conglomerate holding company to an international IT and telecommunications focused group. Subsequent to leading a management buy-out, Unihold de-listed from the JSE. Gary has served on numerous private and public company boards, including three listed banking groups.

Joe Mthimunye – Non-Executive Director (42), CA(SA), B.Com (Zululand), B.Compt Hons/CTA (UNISA)

Joe Mthimunye qualified as a Chartered Accountant in 1993. After working for KPMG, he joined Nampak Limited in the capacity of group accountant. In 1996, he co-founded Gobodo Incorporated, an accounting practice with eight other partners and it became the biggest black accounting firm in South Africa at the time. In 1999, he led a management buy-out of Gobodo Corporate Finance from the accounting firm and re-branded it as aloeCap (Proprietary) Limited. He currently serves as the executive chairman of aloeCap. He also serves on the board of directors of non-listed companies where aloeCap Private Equity is invested.

Joe has been a member of the Independent Regulatory Board of Accountants Education Committee from 2001 until 2007. He is a member of various professional bodies including the Securities Regulation Panel and SAICA.

Lucy (“Pani”) Manage Tyalimpi – Non-Executive Director (45), B.Comm (Hons) (UNISA), MBL (UNISA School of Business Leadership), Diploma in Investment and Portfolio Analysis

Pani is the head of the Isibaya Fund, the private equity arm of the Public Investment Corporation. The assets in the fund are earmarked for the assistance in structuring Black Economic Empowerment transactions, infrastructure development as well as socially responsible investments. The size and the purpose of the assets in the fund make it a key player in the private equity space. Prior to working at the Public Investment Corporation, Pani worked for several financial institutions, including African Harvest Capital and ABN Amro, where she was employed in corporate advisory services. Pani also spent five years at the Development Bank of South Africa, where she worked in the Project Finance Unit. She currently serves on the board of directors of a number of companies and investment committees. Pani brings extensive market and investment knowledge to the Board.

16.2 Key management

In addition to the Directors of Blue Label Telecoms the following individuals are key members of the senior management of the Blue Label Group:

Sean Kaplan – Managing Director: The Prepaid Company

Sean is a founding member of TPC. He is responsible for assisting in the day to day operation of TPC. Sean's particular expertise is in respect of the distribution of cellular starter packs and airtime into TPC's various retailers. He is also responsible for maintaining key customer relationships and assists in personnel management within TPC as well as the management of customer and suppliers and general operational management. Sean assists in the identification of strategic opportunities for TPC.

Dean Suntup – Financial Director: The Prepaid Company – B.Comm (Wits) Hons (UNISA), CA(SA)

Dean completed his articles with PricewaterhouseCoopers where he assisted in the audits of various large corporations and multi-nationals. After qualifying as a chartered accountant he remained on as an assistant manager at PricewaterhouseCoopers for a number of months until he joined BSC Technologies (Proprietary) Limited, a business that was established by the Levy brothers. He assumed the position of financial director of BSC Technologies (Proprietary) Limited from August 2003 to March 2005 until he was transferred to TPC where he assumed the position of financial director. Dean has been instrumental in overseeing the growth of TPC, including the successful integration of the businesses that TPC has acquired in that time.

Dr David Fraser – Director: Blue Label One – MSC (Eng), PHD (Physics)

David is a professional engineer by trade and has a considerable amount of local and international business experience in wireless telecommunications, broadcasting IT business and associated technologies. David established a number of successful companies including a telecoms and broadcasting consulting services company, as well as a scientific consultancy firm. David has assisted in the establishment and growth of several European and USA-based companies. David became involved at Sentech in South Africa with the development of the country's first public broadband 3G wireless data network and joined Blue Label Group in 2005. Together with Dr Angelo Roussos, David is responsible for the development of an integrated single back-office core technology solution for the Blue Label Group, as well as being involved in the conceptualisation and implementation of cutting edge mobile, media and transactional technologies for development by the Group.

Dr Angelo Roussos – Director: Blue Label One, BSC (Lab. Med), MBCHB

Angelo became interested in high-speed networking and supercomputing while pursuing a postgraduate medical degree, collaborating on the NSFNet, a precursor to the modern Internet. In 1990, he established one of the first companies in South Africa to provide e-mail services, and later the second SA business to provide commercial Internet services. Together with his partners, he created one of the largest Internet Service Providers in South Africa. In 1998, Angelo left medicine to focus full-time on IP-networking and he formed InfoSat, which was the second company in the world to offer DVB/IP services via satellite. Sentech, the largest signal distributor in Africa, acquired a majority stake in InfoSat. From July 2002 to October 2003, Angelo guided Sentech as Group Executive: Multimedia Services and was responsible for the technology selection, business strategy and business management of the multimedia business. Apart from his extensive IP-based telecoms experience, Angelo has engaged in strategic, policy and regulatory representations to the SA government & regulator. Together with Dr David Fraser, Angelo is responsible for ensuring that the Blue Label Group remains ahead of the market through the development of new and innovative technology solutions.

Braam Smit – Managing Director: Kwikpay – BA, LLB (University of Stellenbosch), B.Comm, PGDA (UCT), CA(SA)

Braam obtained experience in the legal profession after completing his degree and was admitted as an advocate. He then pursued a degree in accounting and qualified as a chartered accountant after completing articles with Ernst & Young. He was employed with Ernst & Young in the United States of America and returned to South Africa in 2004. He then joined Kwikpay as financial director where he was later promoted to the position of managing director, where he has been responsible for assisting the business to meet its strategic goals and objectives.

Panagiotis (Pedro) Christofides – Chief Operating Officer: Matragon – B.Comm, B.Compt (UNISA)

After completing his accounting articles at Combanis and Associates, Pedro moved into the business world, where he began his career as the owner and manager of eleven retail outlets in the food and beverage industry. In 1998 Pedro founded Comm Express, which quickly grew into a leading distributor of prepaid airtime. Pedro is the chief executive officer of Matragon, the holding company of Comm Express. Pedro is responsible for the management, co-ordination and business activities of Matragon and its subsidiaries. He oversees the cellular, research and development, manufacturing and media and events management divisions of Comm Express.

Richard Smuts-Steyn – Managing Director: Ventury – MBA (University of Wales)

Richard has experience in varied industries including media, telecoms, banking services and information technology. He has working experience in these industries both locally as well as spending a period of 3 years on the Isle of Mann. Richard was instrumental in growing Ventury into a significant distributor of prepaid airtime and associated products. He has overseen the formation of subsidiaries within Ventury and has also been responsible for a number of acquisitions by the company.

Bradley Turkington – Head of international strategy: Blue Label Telecoms – B.Comm Finance (Hons)

After completing his post graduate degree in finance, Bradley became a director of a London based wholesaler. Bradley returned to South Africa and with the broad base of international relationships he had established became involved at the inception of cellular telephony in South Africa. Bradley served on the local board of a NASDAQ listed company, which was partially responsible for bringing prepaid to South Africa. He joined a subsidiary of Matragon as a consultant in March 2006, to expand their international business, and has recently taken on the formulation and growth of the Blue Label Group's international strategy.

Gustav Vermaas – Chief Operating Officer: Activi Technology Services – B.Comm, CIMA(UK)

Gustav qualified as a Chartered Management Accountant in 1995. He joined the Blue Label Group in March 2005 to pioneer the concept of a separate field support company for the group. Activi Technology Services was established in March 2007, whose mission it is to provide, maintain and support the technology that facilitates the financial transactions in the Group.

His 19 years of experience is focussed on solving business problems by integrating technology, business processes and people interventions. He was the co-founder of IQ Commerce in 1999, the CEO of Nashua Connect and a member of the International Exco of The IQ Business Group. He started his career with Anglo American Limited and then joined Total for a nine year career in the petroleum industry.

Rob Noel – Strategic Executive: TPC – MBA (Bond), Diploma in Marketing (IMM)

Rob has focussed his career on e-commerce, secure electronic payment and Internet related technologies over the past eleven years. He has held leadership positions at Q Data Consulting, M-Web Business Solutions, and Prism TranSwitch Services (EasyPay). Rob has worked in various roles driving large projects, sales and business development and new product development in the secure electronic payment, switching and value-added services business. In May 2005, Rob joined the Blue Label Group as strategic executive for TPC. This required the use of Rob's skills and experience in managing deployment of electronic services such as secure electronic payment processing, bill payment, EFT debit and credit, Prepaid Airtime, Prepaid Electricity, Stored Value, Private Label Cards, Electronic Gift Vouchers, Subscription Services and Insurance Replacement Cards. The role involves providing input to the strategies of the Blue Label Group while leading and co-ordinating TPC senior management, in order to develop the range and scope of products and services offered by the Group to their customers.

Greg Schultz – Chief Executive Officer: APS

Greg is the founder and Group Chief Executive Officer of APS. Greg's professional career began in wholesale where he developed his managerial skills through the operation of existing stores and the establishment of new stores in the cash and carry sector. His participation in the cash and carry industry naturally led to his involvement in cellular products and gave Greg the scope to introduce cellular management tools and virtual strategies into the cash and carry environment. Greg then established two successful prepaid airtime distribution companies called FutureCell and FutureLoad, the last of which was bought by TPC. It was at TPC that the idea for an African strategy, embracing cellular, took shape which led to the formation of APS in 2005. Presently, Greg serves in the capacity of Group Chief Executive Officer, and operations are currently in Mozambique and the Democratic Republic of Congo.

17. APPOINTMENT, QUALIFICATION, REMUNERATION AND BORROWING POWERS OF DIRECTORS

- 17.1** The relevant provisions of the Articles of Association of Blue Label Telecoms relating to the qualification, remuneration, borrowing powers and appointment of the Directors are set out in Annexure 15 of this Pre-listing Statement.
- 17.2** Set out in Annexure 16 to this Pre-listing Statement are extracts of the relevant provisions of the Articles of Association of the operating subsidiary companies of the Blue Label Group regarding:
- the qualification, remuneration, terms of office and appointment of the directors of the subsidiaries; and
 - the borrowing powers exercisable by the directors of the subsidiaries.
- 17.3** None of the Directors or key members of the senior management team (as identified in paragraph 16) have ever:
- been convicted of an offence resulting from dishonesty, fraud or embezzlement;
 - been adjudged bankrupt or sequestered in any jurisdiction;
 - at any time assigned their estate, suspended payment or compounded with their creditors;
 - been found guilty in disciplinary proceedings, by an employer or regulatory body, due to dishonest activities;
 - been barred from entry into any profession or occupation; and
 - been convicted in any jurisdiction of any criminal offence, or an offence under legislation relating to the Act.
- 17.4** The borrowing powers of the Directors have not been exceeded in the preceding three year period prior to the date of this Pre-Listing Statement.

17.5 Remuneration of the Directors

The total remuneration and benefits paid and payable to the executive and non-executive Directors of Blue Label Telecoms by the Blue Label Group for the year ended 31 May 2007 is set out below:

	Executive	Non-executive (R'million)	Total
Basic salaries	18.20	–	18.20
Travel allowance	0.93	–	0.93
Bonuses	3.07	–	3.07
Fringe benefits (medical aid and motor vehicle)	0.31	–	0.31
Provident fund contributions	1.09	–	1.09
Additional management bonus ⁽¹⁾	13.96	–	13.96
Directors fees	–	0.045	0.045
Consulting and legal fees	–	1.25	1.25
Total	37.56	1.295	38.855

⁽¹⁾ The additional management bonus will no longer be payable in terms of the Management Bonus Settlement Agreement. Please refer to paragraph 20.1 for the terms of this agreement.

18. DIRECTORS' INTERESTS IN THE SHARE CAPITAL OF BLUE LABEL TELECOMS

The Directors of Blue Label Telecoms will directly or indirectly hold the following number of Blue Label Telecoms Shares:

Before the Private Placing and after the Restructuring:

Name	Direct		Indirect		Total*	% of issued share capital
	beneficial	non-beneficial	beneficial	non-beneficial		
Mark Steven Levy	91 833 432				91 833 432	15.75
Brett Marlon Levy	87 537 977				87 537 977	15.01
Sidney Ellerin			17 510 400		17 510 400	3.00
Mark Vivian Pamensky			6 793 533		6 793 533	1.17
Gary David Harlow			3 146 231		3 146 231	0.54
Neil Norman Lazarus	7 865 578				7 865 578	1.35
Joe Mthimunye			1 050 472		1 050 472	0.18
Herbert Cedrick Theledi			46 708 528		46 708 528	8.01
Laurence Michael Nestadt			7 865 578		7 865 578	1.35
Reitumetse Jackie Huntley			3 126 407		3 126 407	0.54
Total	187 236 987		86 201 149		273 438 136	46.90

* Based on 583 127 787 shares in issue.

After the Private Placing

Name	Direct		Indirect		Total*	% of issued share capital
	beneficial	non-beneficial	beneficial	non-beneficial		
Mark Steven Levy	78 157 614				78 157 614	10.52
Brett Marlon Levy	77 642 159				77 642 159	10.45
Sidney Ellerin			17 510 400		17 510 400	2.35
Mark Vivian Pamensky			6 646 165		6 646 165	0.89
Gary David Harlow			3 072 547		3 072 547	0.41
Neil Norman Lazarus	7 681 368				7 681 368	1.03
Joe Mthimunye			758 390		758 390	0.10
Herbert Cedrick Theledi			33 721 295		33 721 295	4.54
Laurence Michael Nestadt			7 681 368		7 681 368	1.03
Reitumetse Jackie Huntley			2 257 114		2 257 114	0.30
Total	163 481 141		71 647 279		235 128 420	31.62

* Based on 743 127 787 shares in issue.

There is a Further Allotment Option given to the Bookrunner, as described in paragraph 61 of this Pre-Listing Statement. The additional shares offered by Mark Steven Levy, Brett Marlon Levy, Nthwese, Selwyn Roy Diamond, Sean Kaplan and the Marapa Trust for the further allotment are excluded from their restraint to sell Blue Label Telecoms Shares in terms of paragraph 19.

There have been no changes in the interests of the Directors in the share capital of Blue Label Telecoms since 31 May 2007, other than that mentioned in this Pre-Listing Statement.

There were no payments made to a person or to a company, in which the directors have a beneficial interest, in cash or shares to induce a person to become, or to qualify as a director.

Brett Marlon Levy has funded the acquisition of Blue Label Telecoms shares on behalf of Blue Label Telecoms employees to the value of R50 million in terms of the Preferential Placement. These shares will be held by a nominee company for the benefit of employees. R14 million of these shares have been allocated for the benefit of David Bryan Rivkind.

19. MANAGEMENT LOCK-IN

It is the intention of Brett Marlon Levy and Mark Steven Levy to sell approximately R1 30 414 907 in value of Blue Label Telecoms Shares in the Private Placing, as part of the Offer for Sale (a maximum of 22 680 853) Blue Label Telecoms Shares, based on the minimum price in the Private Placing Price range). The sale is in order to allow the two Shareholders to crystallise a portion of their investment in the Company as well as to obtain cash to settle third party funding.

Brett Marlon Levy and Mark Steven Levy, together with the other Blue Label Telecoms executive directors and senior managers who are Blue Label Telecoms Shareholders, will not be allowed to sell, unless prior approval has been received from the board, any additional Blue Label Telecoms Shares for a period of 12 months after the Listing, after which they will be entitled to dispose of 1/12th of their shares per month for the next 12 months. Lock-in agreements were signed by Blue Label Telecoms executive directors and senior managers in terms of the Restructuring Agreements. Subsequent to this period the executive directors and senior management will be free to trade in their Blue Label Telecoms Shares. Non-Executive Directors of Blue Label Telecoms, who hold Blue Label Telecoms Shares, will not be bound by the lock-in.

Vendors, as identified in Annexure 18, who receive Blue Label Telecoms shares as part of the Restructuring, will not be allowed to sell, unless prior approval has been received from the Board, the Blue Label Telecoms shares for a period of 12 months after the Listing, after which they will be entitled to dispose of 1/12th of their shares per month for the next 12 months.

Key management in the Blue Label Group will sign service agreements for a period of three years in terms of the Restructuring.

Nthwese has agreed in terms of the BLI Share Sale Agreement to sell R217 323 177.68 in value of Blue Label Telecoms Shares in the Private Placing, as part of the Offer for Sale (a maximum of 37 795 335 Blue Label Telecoms Shares, based on the minimum price in the Private Placing Price Range) and to sell an additional R36 888 889 in value of Blue Label Telecoms Shares as part of the Further Allotment Option (a maximum of 6 415 458 Blue Label Telecoms Shares, based on the minimum price in the Private Placing Price Range), in order to repay a portion of its funding liability incurred in terms of BLI's initial BEE transaction in terms of which Nthwese acquired its shareholding in BLI. Nthwese has agreed in terms of the BLI Share Sale Agreement not to sell, unless prior approval has been received from the Board, any additional Blue Label Telecoms Shares for a period of 12 months after the Listing, after which they will be entitled to dispose of 1/12th of their shares per month for the next 12 months.

20. DIRECTORS' INTERESTS IN CONTRACTS

Director's interests in Blue Label Group properties are disclosed in paragraph 65.

The nature and extent of Directors' interests in contracts concluded by the Blue Label Group during the current or immediately preceding financial year includes:

20.1 Management Bonus Settlement Agreement

In terms of a contract entered into between TPC and Brett Marlon Levy ("Brett") in 2002, Brett was entitled to receive, on an annual basis, an amount equal to 10% of the net profit before tax of TPC, for the particular financial year, to be shared between him and the management of TPC (which included Mark Steven Levy), at his discretion. In anticipation of the Listing, TPC entered into the Management Bonus Settlement Agreement with Brett and Mark to terminate this contract in order that it may be replaced with a bonus arrangement, benchmarked against industry standards. As compensation for the termination of this agreement TPC will pay Brett and Mark Steven Levy an amount in aggregate of R80 million. This amount will be utilised to purchase Blue Label Telecoms Shares in full and final settlement of all claims which Brett and the TPC management team may have against TPC, arising out of the cancellation of the bonus contract.

The settlement amount to be paid was arrived at by external independent remuneration consultants, who calculated the difference between the present value of the anticipated payments that Brett and Mark would receive under the bonus contract with TPC and the present value of the anticipated amounts he would receive under a standard bonus structure.

20.2 Purchase of BLI's interests in the Leopard Trust

BLI is the vested beneficiary of the Leopard Trust, which in turn owns shares in Newshelf 772 (Proprietary) Limited ("Newshelf 772"). Newshelf 772 owns interests in a structure which purchased a bundle of shares in Telkom. BLI has transferred its vested interests of 7.5% in the shares in Newshelf 772 to Mark Steven Levy and Brett Marlon Levy, in equal portions, against payment by them of the amount of R45 million. The value of BLI's interest in the Leopard Trust was arrived at by an independent valuator. The BLI group also held an additional

7.5% of the interests in the Leopard Trust on behalf of a third party, as the third parties nominee. This interest was also transferred to Mark Steven Levy and Brett Marlon Levy pursuant to an agreement between them and the third party.

20.3 Termination of the Otter Mist Trading CC (“Otter Mist”) consulting agreement

TPC and Otter Mist entered into a commission agreement in terms of which a commission fee was paid by TPC to Otter Mist as consideration for assisting in securing a key contract for TPC. TPC terminated this agreement in 2007, and a once-off cancellation payment of R9 million by BLI to Otter Mist was made. This cancellation payment was paid in cash.

Herbert Cedrick Theledi is a member of Otter Mist. No other Director has an interest in Otter Mist.

20.4 Sale and Purchase agreements in terms of the Restructuring

The Directors of Blue Label Telecoms have various interests in the sale and purchase agreements entered into in terms of the Restructuring. Please refer to Annexure 17 to this Pre-Listing Statement for a detailed description of all the sale and purchase agreements entered into in terms of the Restructuring.

21. CORPORATE GOVERNANCE

The Directors endorse, and accept full responsibility for the application of the principles necessary to ensure that effective corporate governance is practiced consistently throughout the Blue Label Group. In discharging this responsibility, the intention is to achieve compliance in all material respects with the King Code in both letter and spirit. The Blue Label Group’s approach to corporate governance strives to be stakeholder inclusive, based on good communication and integrated into every aspect of the Group’s business.

The Directors have pro-actively taken steps to ensure that all the elements required to make the Blue Label Group materially compliant with the recommendations incorporated in the King Code have been implemented. The Board is of the opinion that Blue Label Telecoms materially complies with the King Code except in the following respects:

- The Blue Label Group does not currently have an internal audit department; and
- The audit committee is chaired by a non-executive director who is not independent, having rendered consulting services to the Blue Label Group.

21.1 Chairperson and Chief Executive Officer

The Board is chaired by Laurence Michael Nestadt, an independent non-executive Director. The chairperson is responsible for providing leadership to the Board, overseeing its efficient operation and has been tasked with ensuring effective corporate governance practices.

The Joint-Chief Executive Officers are Brett Marlon Levy and Mark Steven Levy. They are responsible for formulating, implementing and maintaining the strategic direction of the Blue Label Group, as well as ensuring that the day-to-day affairs of the Blue Label Group are appropriately supervised and controlled.

21.2 Board

The Board comprises 4 executive Directors and 8 non-executive Directors, 5 of whom are independent.

The Board’s responsibilities include providing the Blue Label Group with clear strategic direction, ensuring that there is adequate succession planning at senior levels, overseeing operational performance and management, determining policies and processes which seek to ensure the integrity of the Blue Label Group’s risk management and internal controls, implementing and maintaining the Group’s communication policy and overseeing Director selection, orientation and evaluation.

The Board will retain full and effective control over the business of the Blue Label Group. The Board has defined levels of materiality through a written delegation of authority, which sets out decisions the Board wishes to reserve for itself. The delegation will be regularly reviewed and monitored.

Non-executive Directors will bring an independent view to the Board’s decision making. As a group, they will enjoy significant influence at the meetings.

The executive Directors have fixed terms of appointment and all the non-executive Directors are subject, by rotation, to retirement and re-election by Blue Label Telecoms Shareholders at least every three years, in accordance with Articles of Association.

Generally, Directors have been and will be nominated based on their calibre, credibility, knowledge, experience, impact they are expected to have and time and attention they can devote to the role. The remuneration and nomination committee is responsible for vetting the individuals proposed for directorship and making recommendations to the full Board for approval. Before nomination, appropriate background checks are performed on proposed new Directors. New Directors are taken through a formal induction programme and are provided with all the necessary background information to familiarise them with issues affecting the Board.

The Board intends to meet at least four times a year with additional meetings called if necessary or desirable. Information relevant to a meeting is supplied on a timely basis to the Board ensuring Directors can make reasoned decisions. The Directors have unrestricted access to information and management in relation to the Blue Label Group, and where appropriate, may seek the advice of independent professionals on matters concerning the affairs of the Blue Label Group, at the expense of the Company.

21.3 Independence of the Board

The Board's independence from the team responsible for the daily management of Blue Label Telecoms will be maintained by:

- keeping separate the roles of the chairperson and the chief executive officer;
- functioning board committees comprised mainly of non-executive Directors;
- the non-executive Directors not holding fixed-term service contracts;
- all Directors, with prior permission of the Board, being entitled to seek independent professional advice on the affairs of Blue Label Telecoms at the Company's expense;
- all Directors having access to the advice and services of the company secretary; and
- the appointment or dismissal of the company secretary being decided by the Board as a whole and not by one individual Director.

21.4 Board committees

The responsibilities delegated to board committees are formally documented in terms of reference for each committee, which have been approved by the Board and will be reviewed annually. It is intended that the effectiveness of the committees will be reviewed annually by the Board, based on a self evaluation done by each committee of the degree to which they have fulfilled their terms of reference.

21.5 Audit committee

The audit and risk management committee is chaired by Joe Mthimunya, a non-executive Director. The committee consists of 3 non-executive Directors, 2 of whom are independent. The current members are:

- Joe Mthimunya (*Chairperson*);
- Gary David Harlow; and
- Lucy Manage Tyalimpi.

It is intended that the committee will meet at least four times a year and is responsible for assisting the board in fulfilling its responsibilities in respect of financial reporting issues, internal and external audit management, ensuring compliance with laws and regulations, risk management and development/maintenance of an effective internal control system.

Committee members have unrestricted access to information and management of Blue Label Telecoms and, where appropriate, may seek the advice of independent professionals on matters concerning the affairs of Blue Label Telecoms, at the expense of the Company.

The audit committee sets the principles for recommending the use of the external auditors for non-audit purposes, which include:

- tax services, including advice on tax planning and transfer pricing issues;
- corporate restructuring;

- merger and acquisition advice; and
- training.

21.6 Remuneration and nomination committee

The remuneration and nomination committee is chaired by Neil Lazarus, a non-executive Director. The committee consists of 4 non-executive Directors 3 of whom are independent. The current members are:

- Neil Lazarus (*Chairperson*)
- Gary Harlow
- Jackie Huntley
- Sidney Ellerin

The committee will meet at least twice a year and is responsible for assisting the Board in fulfilling its responsibilities in respect of maintaining an appropriate remuneration strategy, ensuring the Directors and senior executives are fairly rewarded, providing for succession planning, assessing the effectiveness of the composition of the Board and evaluating the Board and individual Director's performances.

The remuneration strategy is aimed at ensuring that levels of remuneration are sufficient to attract, retain and motivate executives and, where appropriate, aimed at aligning the executives' interests with that of Blue Label Telecoms' Shareholders. Consequently, an element of the strategy is aimed at ensuring that the performance-related elements of the executive's remuneration should constitute a growing portion of total remuneration. The current remuneration package has two elements: a market-related base pay and incentive pay comprising an annual cash bonus. A portion of the remuneration package shall be subject to certain pre-defined performance targets being met.

In setting and approving remuneration levels and structures, the committee makes comparisons to remuneration paid by other companies in the same industry or similar industries, taking into account differing levels of responsibility, performance and complexity. The committee also gets advice from specialist remuneration consultants as and when needed and considers remuneration levels for other executives and staff in the Blue Label Group.

It is the intention of Blue Label Telecoms to add an additional element to the remuneration package, namely, a Blue Label Telecoms employee share incentive Scheme, which will be subject to certain pre-defined performance targets being met. Blue Label Telecoms will implement this share scheme subsequent to the Listing.

21.7 Share dealing

Subsequent to the Listing, the Board will implement an insider trading policy, in terms of which closed periods will apply. During any closed period, the Directors, officers and defined employees may not deal in the shares of Blue Label Telecoms.

Directors are required to obtain written clearance from the chairperson of the Board before dealing in Blue Label Telecoms Shares.

In terms of the Listings Requirements, any share dealings by Directors are required to be published immediately on SENS. A register of share dealings by Directors will be maintained by the company secretary and reviewed by the Board on a quarterly basis.

21.8 Company secretary

The company secretary acts as advisor to the Board and plays a pivotal role in ensuring compliance with statutory regulations and the Code, the induction of new Directors, tabling information on relevant regulatory and legislative changes, and giving guidance to the Directors regarding their duties and responsibilities. The Directors have unlimited access to the advice and services of the company secretary.

21.9 Stakeholder communication

In all communications with stakeholders, the Board aims to present a balanced and understandable assessment of the Blue Label Group's position. This is done through adhering to principles of openness and substance over form and striving to address material matters of significant interest and concern to all stakeholders.

The Board will encourage shareholder attendance at general meetings and where appropriate provides full and understandable explanations of the effects of resolutions to be proposed.

Communication with institutional shareowners and investment analysts will be maintained through periodic presentations of financial results, one-on-one visits, trading statements and press announcements of interim and final results, as well as the pro-active dissemination of any messages considered relevant to investors.

21.10 Environment

Blue Label Telecoms recognises that its activities have an impact on the environment. Blue Label Telecoms has adopted a strategy that strives to minimise this impact by regularly reviewing its activities and compliance with all relevant legislation.

21.11 Employment equity

Blue Label Telecoms has a clearly defined employment equity strategy aimed at realising the potential of previously disadvantaged people in South Africa.

Blue Label Telecoms has complied in most of the material aspects with the South African legislative requirements on employment equity and has implemented employment equity plans, as detailed in paragraph 14 headed "Black Economic Empowerment".

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

22. HISTORICAL FINANCIAL INFORMATION

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

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

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

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

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

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

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

23. UNAUDITED PRO FORMA FINANCIAL INFORMATION

23.1 Pro forma financial information

The table below reflects:

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

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

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

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

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

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

Principal assumptions underlying the profit forecast:

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

- The present level of interest rates will remain substantially unchanged.
- The present level of currency exchange rates will remain substantially unchanged.
- Capital raised on listing will be R1 billion. This cash raised will be used to repay the majority of interest bearing facilities as well as settle liabilities incurred due to the restructuring and listing. The balance of funds raised will be utilised to grow the operations of the Blue Label Group.

- (d) No further acquisitions will take place during the period. Polska Holdings is to be acquired in November 2007 but has not been accounted for in terms of the *pro forma*.
- (e) There will be no significant changes to the current pricing structure with suppliers.

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

23.1 Unaudited *pro forma* balance sheets

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

24. LOAN CAPITAL AND MATERIAL LOANS

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

25. DIVIDENDS AND DIVIDEND POLICY

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

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

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

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

26. MATERIAL CHANGES

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

27. WORKING CAPITAL

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

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

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

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

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

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

28. REVENUE

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

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

29. GROSS PROFIT

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

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

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

30. OPERATING PROFIT

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

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

31. OPERATING COSTS

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

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

32. DEPRECIATION, AMORTISATION AND IMPAIRMENT CHARGES

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

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

33. EMPLOYEE COSTS

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

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

34. FINANCE INCOME/(COSTS)

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

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

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

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

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

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

36. TAXATION

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

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

37. NET INCOME AFTER TAXATION ACCORDING TO SEGMENTAL BUSINESS SPLIT

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

PART E: RISK FACTORS

38. RISKS RELATED TO THE BLUE LABEL GROUP

38.1 The Blue Label Group's business is dependent on general economic conditions, especially in the retail sector.

The Blue Label Group's diverse mix of products, services and distribution channels are designed to limit its exposure to economic downturns. However, downturns in the retail sector as a result of a reduction in consumer spending could reduce demand for the Groups products and services and negatively impact its revenues and profitability. In addition, the Blue Label Group is, at present, unable to predict what long-term effect, if any, political events and other global economic events will have on its business.

38.2 Inability to attract and retain key personnel and qualified employees, in whom intellectual capital resides, in the long term, could impede the Blue Label Group's ability to execute its strategic business objectives and growth strategy.

The Blue Label Group's future performance will depend largely on the efforts and abilities of its key personnel and employees. The existing executive management at the Group and subsidiary level was instrumental in developing the prepaid market and establishing Blue Label Group's business model. This management team is the force driving the entrepreneurial spirit of the Group.

The Blue Label Group's future success will depend, in part, upon its ability to continue to attract, retain and motivate the necessary personnel, including executive officers and certain other key employees. These executives, along with other key personnel, have a knowledge and understanding of the Blue Label Group and its industry that cannot be readily duplicated in the short-term. The competition for qualified personnel in the industry is strong and there can be no assurance that the Blue Label Group will be successful in retaining such personnel or attracting replacement personnel. Failure to attract and retain such personnel, including any member of the Blue Label Group's senior management team, could have a material adverse effect on the business by impairing its ability to execute its business plan and growth strategy, causing it to lose customers and reduce its revenues.

In order to mitigate this risk, senior management and key personnel, who are Blue Label Telecoms Shareholders, will be restrained from any sale of Blue Label Telecoms Shares for a phased out period of two years from the Listing Date. Furthermore, key members of the senior management team have signed three year service agreements.

38.3 Non-exclusivity of various supply, distribution and WASP agreements

Certain of the Blue Label Group's supply, distribution and WASP agreements are non-exclusive and can be terminated at short notice. This type of agreement is standard in the industry. This presents the risk that the network providers could potentially choose to distribute their airtime through other distribution channels or use other service providers to perform value added services.

38.4 Blue Label Telecoms is a high volume business with profitability that is very sensitive to variation in margins.

Network operators determine the margins available to the prepaid airtime distribution channel. The Blue Label Group may not always be able to pass on to the retailer or customer any margin compression enforced by the network operators. A reduction by the network operators in the margin available to the wholesalers could result in a reduction in the profitability of the Blue Label Group. Management is confident that based on the terms of the Blue Label Group customer agreements it should be able to pass on any margin compression to the customer.

38.5 The Blue Label Group conducts the majority of its existing business in South Africa and is subject to certain political, social and economic conditions in South Africa.

The Blue Label Group has its head office and the majority of its operations, customers and investors in South Africa. The country's political, social and economic conditions are relevant to investors in assessing a proposed investment in the Blue Label Group. In general, South Africa faces many challenges in overcoming substantial inequalities in levels of social and economic development among its people. The South African Government has taken a number of significant steps towards addressing the political tensions and social and economic problems in South Africa, although certain problems still exist. While South Africa features a highly developed financial and

legal infrastructure at the core of its economy, it has high levels of unemployment, poverty and crime. Particular considerations include how the South African Government will ultimately address such tensions and problems, to what extent its efforts will be successful, the political, social and economic consequences of such efforts and the effect on South African businesses of the continuing integration of the South African economy with the economies of the rest of the world. The economic direction of South Africa may be influenced by the extent to which the South African Government, organised labour and business are able to agree upon common goals and the means of achieving them. While the Blue Label Group believes that the economic sentiment is positive for the future, these political, social and economic problems may have a negative impact on the South African economy and in turn may have an adverse effect on the Blue Label Group's South African operations and on its business and financial performance as a whole.

39. RISKS RELATED TO THE PRIVATE PLACING

39.1 The absence of an existing market for the Blue Label Telecoms Shares may limit their liquidity.

Although the Blue Label Telecoms Shares are expected to be listed on the JSE, there is no guarantee that an active trading market for the Blue Label Telecoms Shares will develop and continue after the Private Placing. If no active trading in the Blue Label Telecoms Shares develops or continues after the Private Placing, this could have a material adverse effect on the liquidity and the market price of the Blue Label Telecoms Shares. There is currently no active market for the Blue Label Telecoms Shares. The Private Placing Price of the Private Placing Shares will be determined by the Bookrunner, and the Directors of Blue Label Telecoms and may not be indicative of the market price of the Private Placing Shares after the Private Placing.

39.2 The market price of the Blue Label Telecoms Shares may prove to be volatile and is subject to fluctuations, including significant decreases.

The market price of the Blue Label Telecoms Shares could be volatile and subject to significant fluctuations due to a variety of factors, some of which do not relate to the Blue Label Group's financial performance. These include changes in general market conditions, the general performance of the JSE, changes in sentiment in the market regarding the Blue Label Telecoms Shares (or securities similar to them), regulatory changes affecting the Blue Label Group's operations, variations in the Blue Label group's operating results, business developments for the Blue Label Group or its competitors, the operating and share price performance of other companies in the industries and markets in which the Blue Label Group operates, or speculation about the Blue Label Group's business in the press, media or the investment community. Furthermore, the Blue Label Group's operating results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the Blue Label Telecoms Shares.

39.3 Blue Label Telecoms may not be able to declare and make dividend payments now and in the future.

Blue Label Telecoms' ability to pay dividends on the Blue Label Telecoms Shares is dependent upon the availability of distributable reserves and upon the receipt by it of dividends and other distributions from the Blue Label Group. Blue Label Telecoms subsidiaries' distributable reserves and the dividends they may declare may be restricted to protect the security of those subsidiaries, as applicable legislation does not allow for the payment of dividends unless capital adequacy requirements are met.

PART F: SHARE CAPITAL

40. SHARE CAPITAL AND SHARE PREMIUM

The authorised and issued share capital of Blue Label Telecoms, before and after the Restructuring and the Private Placing, is set out below:

	R
Before the Restructuring and the Private Placing	
Authorised share capital of Blue Label Telecoms	
1 000 shares of R1.00 each	1 000
Issued share capital of Blue Label Telecoms	
300 shares of R1.00 each	300
Share premium	–
After the Restructuring	
Authorised share capital of Blue Label Telecoms	
1 000 000 000 shares of R0.000001 each	1 000
Issued share capital of Blue Label Telecoms	
583 127 787 shares of R0.000001 each	583
Share premium ⁽¹⁾	3 207 196 745
After the Private Placing	
Authorised share capital of Blue Label Telecoms	
1 000 000 000 shares of R0.000001 each	1 000
Issued share capital of Blue Label Telecoms	
743 127 787 shares of R0.000001 each	743
Share premium ⁽²⁾	4 168 041 585

(1) Blue Label Telecoms Shares were issued at a premium in terms of the Restructuring. All Blue Label Telecoms Shares were issued at R5.50, the market value of a Blue Label Telecoms Share prior to the Restructuring.

(2) Calculated using an assumed Private Placing Price of R6.25, being the mid-range of the Private Placing Price Range and allowing for the write-off of certain listing costs amounting to R39 155 000 as detailed in paragraph 75.

All the issued share capital of Blue Label Telecoms will be of one class, consisting of ordinary shares with a par value of R0.000001 each, ranking *pari passu* in all respects. Subject to the conditions precedent in terms of paragraph 55 of this Pre-Listing Statement, the entire issued share capital of Blue Label Telecoms will be listed on the JSE.

The unissued Blue Label Telecoms Shares have been placed under the control of the Directors, subject to the provisions of sections 221 and 222 of the Companies Act and the Listings Requirements.

Blue Label Telecoms does not hold any Blue Label Telecoms Shares in treasury.

There are no founders' or deferred shares. Other than the Blue Label Telecoms Shares which are expected to be listed on the JSE, no securities have been issued by Blue Label Telecoms nor listed on any other stock exchange. In terms of the Articles of Association any variation of the rights attached to the Blue Label Telecoms Shares will require the consent of the ordinary shareholders in general meeting, provided that any variation which directly or indirectly adversely affects the special rights or restrictions relating to the Blue Label Telecoms Shares can only be effected with the prior written consent of Blue Label Telecoms Shareholders holding at least 75% of the Blue Label Telecoms Shares, or the approval of a resolution of such Blue Label Telecoms Shareholders, passed, *mutatis mutandis*, as a special resolution.

In accordance with the Articles of Association, at a general meeting of the Blue Label Telecoms Shareholders, every Shareholder present in person or by proxy (or, if a body corporate, duly represented by an authorised representative), shall have one vote on a show of hands, and on a poll every Shareholder present in person or by proxy shall be entitled to that proportion of the total votes in Blue Label Telecoms which the aggregate amount of the nominal value of the Blue Label Telecoms Shares held, bears to the aggregate amount of the nominal value of all the Blue Label Telecoms Shares issued. Accordingly, for so long as all the Blue Label Telecoms Shares issued have the same par value, a Shareholder will have one vote for each Blue Label Telecoms Share of which that person is the registered holder. No special voting powers are reserved to any founder, vendor, director or other person.

All authorised and issued Blue Label Telecoms Shares, including those to be sold in terms of the Private Placing, will be of the same class and will rank *pari passu* in every respect. Set out in Annexure 15 to this Pre-Listing Statement are extracts from the Articles of Association dealing with the rights of holders of Blue Label Telecoms Shares to dividends, profits and/or capital, including rights on liquidation and distribution of capital assets.

In terms of the Articles of Association, dividends and any other payments due to Blue Label Telecoms Shareholders which remain unclaimed after a period of three years from the payment date, shall be forfeited to Blue Label Telecoms.

Blue Label Telecoms does not have any other class of shares, listed or unlisted.

There has been no commission, discount, brokerage or any other special terms granted to any other person during the three years preceding the Pre-Listing Statement in connection to the issue or sale of any securities in the capital of Blue Label Telecoms.

41. ALTERATIONS TO THE SHARE CAPITAL AND SHARE PREMIUM IN THE PAST 3 YEARS

Blue Label Telecoms was incorporated in 2006 with an authorised share capital of R1 000.00 divided into 1 000 Blue Label Telecoms Shares of R1.00 each and an issued share capital of R300.00, divided into 300 Blue Label Telecoms Shares of R1.00 each with no share premium.

Set out below are the alterations to the share capital and share premium of Blue Label Telecoms which occurred during the past three years:

- On 9 October 2007, the Blue Label Telecoms Shares were sub-divided by 1 000 000, resulting in the authorised share capital of Blue Label Telecoms being R1 000 divided into 1 000 000 000 Blue Label Telecoms Shares of R0.000001 each, and the issued share capital being R300 divided into 300 000 000 Blue Label Telecoms Shares of R0.000001 each;
- 299 999 000 Blue Label Telecoms Shares were repurchased, resulting in the authorised share capital of Blue Label Telecoms being R1 000.00 divided into 1 000 000 000 Blue Label Telecoms Shares of R0.000001 each and an issued share capital of R0.001 divided into 1 000 Blue Label Telecoms Shares of R0.000001 each with no share premium;
- Prior to the Listing, pursuant to the Restructuring and in terms of the BLI Share Sale Agreement, Blue Label Telecoms will have issued 583 126 787 Blue Label Telecoms Shares to acquire 100% of BLI and BLI shareholders loans, 30.4% of TPC and the minority interests in the Blue Label Group companies (Please refer to paragraph 42 below for a detailed description of Blue Label Telecoms Shares issued, otherwise than for cash). Share premium of R3 207 196 745 will have been created in terms of these acquisitions.

42. SHARES ISSUED OTHERWISE THAN FOR CASH

Blue Label Telecoms will issue the following Blue Label Telecoms Shares, before the Listing Date, in terms of the Restructuring:

- 314 623 074 Blue Label Telecoms Shares will be issued at a value of R5.50 per Blue Label Telecoms Share, the proceeds of which will be used to acquire 100% of the shares in BLI from the BLI Shareholders;
- 132 654 545 Blue Label Telecoms Shares will be issued at a value of R5.50 per Blue Label Telecoms Share, the proceeds of which will be used to acquire the remaining 30.4% of TPC not already owned by Blue Label Telecoms from Shotput Investments;
- the following additional interests in Blue Label Group companies will be acquired in terms of the Restructuring – the total consideration payable for the acquisition of the below mentioned interests and claims being R495 574 613 of which R177 512 848 will be settled in cash and 57 477 076 Blue Label Telecoms Shares will be issued at R5.50 per share to settle the remainder of the consideration:

Company	% acquired	% acquired for cash	% acquired for Shares	Number of Shares issued
Virtual Voucher	85	42.5	42.5	3 477 272
Kwikpay	5	–	5	204 545
Matragon	50	25	25	8 818 182
APS	44	–	–	4 591 452
Blue Label One	25	–	25	1 818 191
Cellfind	57.3	10	47.3	24 940 000
HOBS	66.7	33.35	33.35	7 603 800
Datacel	36	18	18	4 909 090
Budding Trade	50	25	25	272 727
Velociti	49	24.5	24.5	727 272

- Blue Label Telecoms Shares are to be issued at R5.50 per share on the Restructuring Date, the proceeds of which will be used to settle a portion of the shareholder loans acquired from the following shareholders:

Company	Shareholder loan	% settled with cash	% settled with Shares	Number of Shares issued
APS	3 917 383	50%	50%	356 126

- Brett Marlon Levy and Mark Steven Levy will subscribe, in equal portions for an aggregate total of 14 545 455 Blue Label Telecoms Shares at R5.50 per share, using the proceeds received by them from the Management Bonus Settlement Agreement. (please refer to paragraph 20 of this Pre-Listing Statement for a summary of this agreement).;
- 63 473 839 Blue Label Telecoms Shares will be issued at R5.50 to the below mentioned Blue Label Telecoms Shareholders for the settlement of their shareholder loans, acquired from BLI:

Shareholder	Shareholder loan	Number of Shares issued
Brett Levy	123 801 805	22 509 419
Mark Levy	147 426 810	26 804 875
Sean Kaplan	2 755 887	501 070
Selwyn Diamond	3 674 517	668 094
Maropa Trust	2 755 887	501 070
Nthwese	36 888 889	6 707 071
PIC	19 880 672	3 614 668
Investec	11 921 647	2 167 572

43. OPTIONS OR PREFERENTIAL RIGHTS IN RESPECT OF SHARES

Neither Blue Label Telecoms nor any of its subsidiaries are party to any contract or arrangement (or proposed contract or arrangement) whereby an option or preferential right of any kind is (or is proposed to be) given to any person to subscribe for any Blue Label Telecoms Shares, except for the shares issued in terms of the Preferential Placement.

44. PREVIOUS OFFERS

There have been no offers for sale or issue of any shares of Blue Label Telecoms or any of the other Blue Label Group subsidiaries during the three years prior to the date of issue of this Pre-Listing Statement, other than the issues and sales already mentioned in this Pre-Listing Statement.

PART G: PARTICULARS OF THE PRIVATE PLACING

45. OVERVIEW OF THE PRIVATE PLACING

The Private Placing comprises:

- a private placing to Qualifying Investors and Qualifying Institutions of a maximum value of R1 000 000 000 of new Blue Label Telecoms Shares, priced between R5.75 and R6.75 per share in terms of the Offer for Subscription. Cash has been received for approximately R200 000 000 in terms of the Preferential Placement and accordingly the remaining Offer for Subscription will be R800 000 000; and
- a private placing to Qualifying Institutions of a maximum value of R376 467 352 of Blue Label Telecoms Shares priced between R5.75 and R6.75 per share in terms of the Offer for Sale by certain Blue Label Telecoms Shareholders.

The Private Placing will result in a maximum value of R1 376 467 352 of Blue Label Telecoms Shares being placed with Qualifying Investors and Qualifying Institutions. The Blue Label Telecoms Shares being privately placed in terms of this Pre-Listing Statement will rank *pari passu* with the existing issued Blue Label Telecoms Shares.

The bases for allocation of the Blue Label Telecoms shares will be determined by the Bookrunner, Investec, in its sole discretion after consultation with the Blue Label Telecoms Directors in terms of paragraph 53 below.

The Private Placing is conditional upon the raising of a minimum amount of capital of R700 000 000, before listing expenses, in terms of the Offer for Subscription and a minimum amount of capital of R200 000 000, before listing expenses, in terms of the Offer for Sale. The minimum amount of capital to be raised by Blue Label Telecoms in terms of the Offer for Subscription will be used by Blue Label Telecoms as explained in paragraph 46.

46. RATIONALE

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

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

The proceeds from the Private Placing will first be applied to fulfill the minimum capital requirement in terms of the Offer for Subscription. The proceeds from the minimum capital will be utilised to facilitate the following:

- to fund the recent acquisitions of shares and claims in terms of the Restructuring;
- to fund the repayment of third party debt.

Subsequent to the minimum capital being raised in terms of the Offer for Subscription, the next R200 000 000 raised will be applied to fulfill the minimum capital requirement in terms of the Offer for Sale by certain of the Blue Label Telecoms Shareholders. The proceeds received by the Blue Label Telecoms Shareholders will be used to repay third party liabilities that the respective Blue Label Telecoms Shareholders may have.

Proceeds over and above the first R900 000 000 raised will be allocated to the Offer for Subscription up to the maximum issue of new shares by Blue Label Telecoms to the value of R1 000 000 000. The additional proceeds received by Blue Label Telecoms will be utilised to raise funding for the potential future expansion of the Blue Label Group.

The additional proceeds received by Blue Label Telecoms Shareholders will allow such Blue Label Telecoms Shareholders to partially realise their investment in the Blue Label Group.

47. PRIVATE PLACING PRICE

The Private Placing Price is estimated to be between R5.75 and R6.75 per share. The final Private Placing Price may, however, be outside of the Private Placing Price Range. The Private Placing Price will be exclusive of uncertificated securities tax and will be payable in full in Rands without deduction or set-off.

Investec, the Bookrunner, is seeking indications of interest from Qualifying Investors to acquire the Private Placing Shares as part of a "bookbuilding" process. The final Private Placing Price will be determined based on an analysis of market demand and will be released on SENS on Friday, 9 November 2007 and published in the South African press on Monday, 12 November 2007.

Among the factors which may be considered by the Bookrunner in determining the Private Placing Price are:

- prevailing market conditions;
- the demand for Blue Label Telecoms Shares; and
- the Company's desire to establish an orderly after-market in Blue Label Telecoms Shares.

Prior to the Private Placing, there has been no public market for Blue Label Telecoms Shares and no assurances can be given that an active trading market will develop or that the Blue Label Telecoms Shares will trade above the Private Placing Price.

48. SALIENT DATES OF THE PRIVATE PLACING

The Private Placing opens at 09:00 on Monday, 29 October 2007 and is expected to close at 12:00 on Thursday, 8 November 2007. Indications of interest for the purposes of the bookbuilding process referred to above will be received up until 12:00 on Thursday, 8 November 2007.

	2007
Abridged Pre-Listing Statement published on SENS	Friday, 26 October
Pre-Listing Statement available	Monday, 29 October
Abridged Pre-Listing Statement published in the press	Monday, 29 October
Opening date of the Private Placing (09:00)	Monday, 29 October
Last date for indications of interest for the purposes of the bookbuild (12:00)	Thursday, 8 November
Expected closing date of the Private Placing (12:00)	Thursday, 8 November
Final allocation of Blue Label Telecoms Shares	Friday, 9 November
Receive payment from Qualifying Investors in respect of allocations made	Monday, 12 November
Blue Label Telecoms Shares listed on the JSE	Wednesday, 14 November

All references to time are to local time in South Africa. The above dates and times are subject to change. Any material change will be released on SENS and published in key South African newspapers.

49. PARTICIPATION IN THE PRIVATE PLACING

Qualifying Investors will be invited by the Directors to participate in the Private Placing on terms as may be specified by the Directors.

Directors will decide in their own discretion which Qualifying Investors to invite in order to participate in the Private Placing.

50. PARTIES WHO MAY NOT PARTICIPATE IN THE PRIVATE PLACING

The following people may not participate in the Private Placing:

- any person who may not lawfully participate in the Private Placing;
- any person applying for Blue Label Telecoms Shares of less than R100 000.00;
- any person who has not been invited to participate in the Private Placing; and/or
- persons acting on behalf of a minor or a deceased estate.

51. APPLICATIONS

51.1 Acceptance

No applications will be accepted after 12:00 on Thursday, 8 November 2007.

51.2 Applications irrevocable

Applications submitted by Qualifying Investors shall constitute irrevocable offers and may not be withdrawn once received by Investec, the Bookrunner.

51.3 Copies of applications

Copies or reproductions of the application form will be accepted at the discretion of the directors of Blue Label Telecoms.

51.4 Alterations to applications

Any alterations on the application form must be authenticated by full signature.

51.5 Applications for the Offer Sale

Applications for the Offer for Sale will only be accepted from Qualifying Institutions.

51.6 Minimum application size

The minimum aggregate application for Blue Label Telecoms Shares is R100 000.00 and applications that are smaller than this minimum application amount will not be considered.

51.7 Evidence of capacity to apply

No documentary evidence of capacity to apply need accompany an application but Blue Label Telecoms reserves the right to call upon any applicant to submit such evidence for noting, which evidence will be held on file with the transfer secretaries or returned to the applicant at the applicant's risk.

51.8 Reservation of rights

The directors of Blue Label Telecoms reserve the right to refuse any application(s), either in whole or in part, or to pro rate any or all application(s) (whether or not received timeously) in any manner as they may, in their sole and absolute discretion, determine.

The directors of Blue Label Telecoms reserve the right to accept or reject, either in whole or in part, any application form, should the terms contained in this Pre-Listing Statement not be properly complied with.

52. DEMATERIALISATION OF PRIVATE PLACING SHARES

The Private Placing Shares will be transferred from Blue Label Telecoms and the Blue Label Telecoms Shareholders to successful applicants in Dematerialised form only. Accordingly, all successful applicants must appoint a CSDP, directly or through a broker, to receive and hold the Dematerialised Shares on their behalf. Should a shareholder require a physical share certificate for its Blue Label Telecoms Shares, it will have to materialise its Blue Label Telecoms Shares following the Listing and should contact its CSDP or broker to do so. It is noted that there are risks associated with holding shares in certificated form, including the risk of loss or tainted script, which are no longer covered by the JSE Guarantee Fund. All Blue Label Telecoms Shareholders who elect to convert their Dematerialised Shares into Certificated Shares will have to Dematerialise their Blue Label Telecoms Shares should they wish to trade them under the terms of Strate (see paragraph 59 headed "Strate" below).

53. ALLOCATION

The basis of allocation of the Private Placing Shares will be determined by Investec, the Bookrunner, in its sole discretion, after consultation with the Directors.

Factors to be considered by the Bookrunner and the Directors in allocating the Blue Label Telecoms Shares include:

- achieving the JSE spread requirements; and
- promoting liquidity, tradeability and an orderly after-market in the Blue Label Telecoms Shares.

It is intended that notice of the allocations will be given on or before Monday, 12 November 2007.

In the event of an over subscription, no preference will be given to any company or group.

Any dealing in Blue Label Telecoms Shares prior to delivery is at the risk of the applicant.

Successful applicants' accounts with their CSDP or broker will be credited with the allocated shares on the Settlement Date on a 'delivery versus payment' basis.

54. PAYMENT AND DELIVERY OF PRIVATE PLACING SHARES

Each successful applicant, other than the Preferential Placees who have already complied with the instructions below, must, as soon as possible after being notified of an allocation of Private Placing Shares, forward to:

- its CSDP, all information required by the applicant's CSDP and instruct its CSDP to pay, against delivery of the applicant's allocation of Private Placing Shares, the aggregate price for such Private Placing Shares to the designated account of Investec. Such information and instructions must be confirmed to the applicant's CSDP no later than 14:00, two Business Days prior to the Settlement Date (expected to be Monday, 12 November 2007); and
- the Bookrunner, details of its CSDP, the name of the account holder and number of shares and such other information as is required by the Bookrunner's CSDP in order to affect delivery of the relevant Private Placing Shares. Such information must be confirmed to the Bookrunner no later 14:00, two Business Days prior to the Settlement Date (expected to be Monday, 12 November 2007).

By no later than 17:00 on Tuesday, 13 November 2007, each applicant must place its funds with its CSDP or make other necessary arrangements to enable its CSDP to make payment for the allocated Private Placing Shares on Settlement Date, in accordance with each applicant's agreement with its CSDP.

The applicant's CSDP must commit in Strate to the receipt of the applicant's allocation of Private Placing Shares against payment by no later than 17:00 on Tuesday, 13 November 2007].

On the Settlement Date (which is expected to be Wednesday, 14 November 2007), the applicant's allocation of Private Placing Shares will be credited to the applicant's CSDP or broker against payment during the Strate settlement runs which occur throughout the day.

In the event of an application being rejected in whole or accepted for a lesser number of Blue Label Telecoms Shares that applied for, any application monies or surplus application monies paid, will be refunded by the transfer secretaries by cheque drawn on a bank in South African currency and posted by ordinary post at the risk of the applicant on or about Thursday 15 November 2007. No interest will be paid on monies refunded to applicants.

55. CONDITIONS PRECEDENT AND COMPETITION APPROVAL

55.1 The Private Placing is subject to:

- the raising of a minimum amount of capital of R700 000 000, before listing expenses, in terms of the Offer for Subscription and a minimum amount of capital of R200 000 000, before listing expenses, in terms of the Offer for Sale; and
- achieving a spread of Blue Label Telecoms Shareholders acceptable to the JSE.

55.2 On 26 September 2007 the Competition Tribunal approved the Restructuring unconditionally in terms of the Competition Act of 1998, as amended.

56. REPRESENTATION

Any person, other than the Preferential Placees, applying for or accepting the Private Placing Shares shall be deemed to have represented to Blue Label Telecoms that such person was in possession of a copy of this Pre-Listing Statement at that time. Any person applying for or accepting the Private Placing Shares on behalf of another:

- shall be deemed to have represented to Blue Label Telecoms that such person is duly authorised to do so and warrants that such person and the purchaser for whom such person is acting as agent is duly authorised to do so in accordance with all relevant laws;
- guarantees the payment for the Blue Label Telecoms Shares allocated to that person at the Private Placing Price; and
- warrants that a copy of this Pre-Listing Statement was in the possession of the purchaser, other than the Preferential Placees for whom such person is acting as agent.

57. EXCHANGE CONTROL REGULATIONS

Currency and shares are not freely transferable from South Africa and must be dealt with in terms of the Exchange Control Regulations of the South African Reserve Bank as described more fully in Part H of this Pre-Listing Statement. The Exchange Control Regulations also regulate the acquisition by former residents and non-residents of Private Placing Shares. Applicants who are resident outside the Common Monetary Area should seek advice as to whether any governmental and/or other legal consent is required and/or whether any other formality must be observed to enable an acceptance of the Private Placing.

58. APPLICABLE LAW

The Private Placing, applications, allocations and acceptances will be exclusively governed by the laws of South Africa and each applicant will be deemed, by applying for Blue Label Telecoms Shares, to have consented and submitted to the jurisdiction of the courts of South Africa in relation to all matters arising out of or in connection with the Private Placing.

59. STRATE

Ordinary shares may only be traded on the JSE in electronic form (Dematerialised Shares) and will be trading for electronic settlement in terms of Strate immediately following the Listing.

Strate is a system of "paperless" transfer of securities. If you have any doubt as to the mechanics of Strate please consult your broker, CSDP or other appropriate advisor and you are referred to the Strate website at <http://www.strate.co.za>.

Some of the principal features of Strate are:

- electronic records of ownership replace share certificates and physical delivery of certificates;
- trades executed on the JSE must be settled within five Business Days;
- all investors owning Dematerialised Shares or wishing to trade their securities on the JSE are required to appoint either a broker or a CSDP to act on their behalf and to handle their settlement requirements; and
- unless investors owning Dematerialised Shares specifically request their CSDP to register them as an "own name" shareholder (which entails a fee), their respective CSDP's or broker's nominee company holding shares on their behalf, will be the shareholder (member) of the relevant company and not the investor. Subject to the agreement between the investor and the CSDP or broker (or the CSDP's or broker's nominee company), generally in terms of the rules of Strate, the investor is entitled to instruct the CSDP or broker (or the CSDP's or broker's nominee company), as to how it wishes to exercise the rights attaching to the shares and/or to attend and vote at shareholders meetings.

60. LISTING OF BLUE LABEL TELECOMS SHARES ON THE JSE

The JSE has approved the Listing of all the Blue Label Telecoms Shares in the "Telecommunications – Mobile Telecommunications" sector of the JSE main board list under the abbreviated name "BlueTel", symbol "BLU" and ISIN: ZAE000109088 subject to the attainment of a spread of shareholders acceptable to the JSE. The Listings Requirements require a free float of 20% of the Blue Label Telecoms Shares in issue. Should such conditions be fulfilled, the Listing is expected to be effective from the commencement of business on Wednesday, 14 November 2007.

61. FURTHER ALLOTMENT

The Bookrunner has an option from the below mentioned shareholders, but no obligation to do so, to allot another R186 888 888 worth of Blue Label Telecoms Shares as part of the Private Placing or after the listing of Blue Label Telecoms with a view to providing liquidity to the shares of Blue Label Telecoms after the Listing Date. These shares may however be preplaced prior to listing:

- Mark Steven Levy – R70 406 854;
- Brett Marlon Levy – R70 406 854;
- Nthwese – R36 888 889;
- Selwyn Roy Diamond – R3 674 517;
- Sean Kaplan – R2 755 887; and
- The Marapa Trust – R2 755 887.

Such action, if commenced, may be discontinued at any time, but may under no circumstances continue beyond the 30th calendar day after the Listing Date. The Bookrunner will act as the sole manager for this purpose and the Bookrunner will be paid the same raising fee as on the Private Placing.

Blue Label Telecoms will make an announcement in the press and on SENS regarding the results of the Further Allotment Option at the end of the 30-day period.

PART H: TAX AND EXCHANGE CONTROL

62. TAXATION ISSUES

Edward Nathan Sonnenbergs Incorporated was appointed by the Company as tax advisor for the Listing.

The following is a summary of the material South African tax consequences in connection with the acquisition, ownership and disposal of shares. The following summary is not a comprehensive description of all of the tax considerations that may be relevant to a decision to acquire, purchase, own or dispose of the Blue Label Telecoms Shares and does not cover tax consequences that depend upon your particular tax circumstances or jurisdictions outside of South Africa.

This discussion is only a general discussion, it is not a substitute for tax advice.

It is recommended that you consult your own tax advisor about the consequences of the acquisition and the holding of the Blue Label Telecoms Shares, as applicable, in your particular situation. The discussion in this section is based on current law. Changes in the law may alter the tax treatment of the Blue Label Telecoms Shares, as applicable, and possibly on a retrospective basis.

62.1 Residence based system of taxation

Since 1 January 2001 South Africa has moved from a largely source based to a residence based system of taxation.

Residents of South Africa are taxed on their world-wide income and capital gains, whereas non-residents are taxed only on income and certain capital gains sourced in South Africa or deemed to be from a source in South Africa.

Individuals

An individual will be a resident of South Africa for tax purposes if:

- such individual is ordinarily resident in South Africa. This term is not defined in the South African Income Tax Act, 58 of 1962 ("the Income Tax Act"), and therefore its meaning is determined according to guidelines established by the courts. Generally, a person's ordinary residence will be, "*the country to which he would naturally and as a matter of course return from his wandering; as contrasted with other lands it might be called his usual or principal residence and it would be described more aptly than other countries as his real home*"; or
- the requirements of the physical presence test are met. This is determined with reference to the number of days spent by the individual in South Africa during a four-year period.

Legal persons (company, close corporation and trust)

As regards legal persons, a resident is defined in the Income Tax Act as any person which is incorporated, established or formed in South Africa or which has its place of effective management in South Africa. Reference can be made to "*Income Tax Interpretation Note 6 – Resident: Place of Effective Management*" issued on 26 March 2002 which details the approach adopted by SARS.

General proviso regarding treaty resident persons

The Income Tax Act excludes from the definition of resident all persons (legal or natural) that are deemed to be exclusively resident in another country in terms of an agreement for the avoidance of double taxation to which South Africa is a party.

62.2 Dividend income

Dividends declared by a South African company are exempt from tax in the hands of the recipient. Non-resident shareholders' tax ("NRST") was abolished with effect from 1 October 1995, and currently there is no withholding tax on dividends paid by a South African company to its shareholders, whether or not they are resident in South Africa.

However, a Secondary Tax on Companies ("STC") is levied on the distribution of after-tax profits by way of a dividend, subject to certain exemptions. STC is triggered by the declaration of a dividend. The rate of STC was reduced to 10% with effect from 1 October 2007, bringing the effective company tax rate to 35.45%.

STC is a tax on the declaring company, not the recipient shareholder. Relief is therefore not provided by most double taxation agreements entered into by South Africa.

62.3 Disposal of shares

The disposal of shares will give rise to either a capital or revenue receipt or accrual in the hands of the taxpayer. In determining whether the income derived from the disposal of such shares is of a capital or revenue nature, the South African tax authorities and courts look at, among other things, the intention of the holder of the shares to determine whether the disposal gave rise to a capital or revenue profit.

Profits derived from the disposal of South African shares held as long-term investments are generally regarded as profits of a capital nature and are not subject to South African income tax, but may attract capital gains tax. Subject to certain relief under double taxation agreements, if a non-resident shareholder trades in South African shares, such non-resident shareholder could be subject to South African income tax if the proceeds from the disposal would be seen as being from a South African source, which would generally be the case where the trading activities take place in South Africa.

Proposed new legislation will, if effected, provide for a 3 year safe harbour ratio. With effect from 1 October 2007, the proceeds from the disposal of shares that were held for at least 3 years from the date of acquisition will be regarded as being of a capital nature. If shares are sold within three years from the date of acquisition, the normal principles described above for distinguishing capital and revenue amounts, will have to be applied.

62.4 Capital Gains Tax

Residents of South Africa are (subject to certain relief under double taxation agreements) subject to Capital Gains Tax ("CGT") in respect of gains made on the disposal of their world-wide assets. Non-residents will incur liability for CGT only in relation to fixed property situated in South Africa, assets of a South African permanent establishment or shares in companies that are primarily South African fixed property owning. As this should not be the case in the present circumstances, the disposal of Blue Label Telecoms Shares by a non-resident shareholder should not be subject to CGT in South Africa.

The following table sets out the prescribed portion of a capital gain that would be included in a taxpayers' taxable income, the normal tax rates applicable to certain taxpayers and, consequently, the effective rate at which capital gains are taxed:

Type of taxpayer	Prescribed portion of the capital gain included in taxable income (%)	Statutory income tax rate (%)	Effective rate (%)
Individuals	25	0 – 40	0 – 10
Trusts			
• Special	25	0 – 40	0 – 10
• Other	50	40	20
Life assurers			
• Individual policyholder fund	25	30	7.5
• Company policyholder fund	50	29	14.5
• Corporate fund	50	29	14.5
• Untaxed policyholder fund	0	0	0
Companies	50	29	14.5
Permanent establishments (branches)	50	34	17
Collective investment schemes	0 – 50	0 – 29	0 – 14.5

62.5 Corporate tax

The corporate tax rate is 29% of taxable income.

Additionally, STC is payable by resident companies of South Africa at a rate of 10% calculated on the net amount of dividends declared by a company during any dividend cycle, leading to an effective maximum tax rate on companies of 35.45%. The rate of STC has been reduced to 10% with effect from 1 October 2007.

62.6 Uncertificated Securities Tax

The Blue Label Telecoms Shares will be uncertificated. Uncertificated Securities Tax ("UST") is imposed in respect of the issue of and change in beneficial ownership (to be paid by the transferee) of any listed uncertificated security. The UST payable is calculated at the rate of 0.25% of the taxable amount of such security, being the value or consideration given for the security, determined in terms of the South African Uncertificated Securities Tax Act, 1998 (Act 31 of 1998).

63. EXCHANGE CONTROL

The Pre-Listing Statement is not an offer in any area of jurisdiction in which it is illegal to make such an offer. In such circumstances, this Pre-Listing Statement and the application forms should be read for information purposes only.

The following summary is intended as a guide only and is therefore not comprehensive. If you are in any doubt hereto, please consult your professional advisor.

63.1 Emigrants from the Common Monetary Area

A former resident of the Common Monetary Area who has emigrated from South Africa may use blocked Rand accounts to purchase Blue Label Telecoms Shares in terms of this Pre-Listing Statement.

All payments in respect of subscriptions for Blue Label Telecoms Shares in terms of the Offer for Subscription and acquisitions in terms of the Offer for Sale by non-residents using blocked Rand must be made through an authorised dealer in foreign exchange.

Share certificates issued in respect of Blue Label Telecoms Shares purchased or subscribed for with blocked Rand in terms of this Pre-Listing Statement will be endorsed "non-resident" in accordance with the Exchange Control Regulations. Share certificates will be placed under the control of the authorised dealer through whom the payment was made.

Blue Label Telecoms Shares issued to a Dematerialised shareholder whose registration as a shareholder has been marked as being an "emigrant", will be similarly marked as being held by an "emigrant".

If applicable, refund monies payable in respect of unsuccessful applications, for Blue Label Telecoms Shares in terms of this Pre-Listing Statement, emanating from blocked Rand accounts will be returned, in terms of the South African Exchange Control Regulations, to the authorised dealer administering such blocked Rand accounts for credit of such applicants' blocked Rand accounts. The CSDP or broker through whom the Blue Label Telecoms Shareholders have Dematerialised their shares will ensure that they adhere to the Exchange Control Regulations.

63.2 Applicants resident outside the Common Monetary Area

A person who is not resident in the Common Monetary Area should obtain advice as to whether any government and/or other legal consent is required and/or whether any other formality must be observed to enable a subscription to be made in terms of the Private Placing.

All Blue Label Telecoms Share certificates issued to non-residents of South Africa will be endorsed "non-resident" in accordance with the Exchange Control Regulations.

All Blue Label Telecoms Shares issued to Dematerialised Blue Label Telecoms Shareholders, whose registration has been so endorsed will be endorsed "non-resident" in accordance with the Exchange Control Regulations. The CSDP or broker through whom the Blue Label Telecoms Shareholders have Dematerialised their shares will ensure that they adhere to the Exchange Control Regulations.

63.3 Blue Label Telecoms Shares acquired by non-residents

Persons resident outside the Common Monetary Area applying for Blue Label Telecoms Shares pursuant to this Pre-Listing Statement should note that while there are no restrictions similar to those placed on emigrants using blocked funds, in regard to Blue Label Telecoms Shares acquired by non-residents pursuant to this Pre-Listing Statement, in the case of Certificated Shares, the share certificates will be endorsed with the words "non-resident" and, in the case of Dematerialised Shares, an appropriate electronic entry will be made in the relevant register reflecting a "non-resident" endorsement.

PART I: ADDITIONAL INFORMATION

64. INFORMATION ON SUBSIDIARIES

Details of Blue Label Telecoms's subsidiaries are included in Annexure 12 to this Pre-Listing Statement.

65. PRINCIPAL IMMOVABLE PROPERTY OWNED OR LEASED

Details of the principal immovable property owned or leased by the Blue Label Group are set out in Annexure 13 to this Pre-Listing Statement.

The Blue Label Telecoms Directors have the following interests in the principal immovable property of the Blue Label Group:

- Mark Pamensky, Brett Levy and Mark Levy are directors of PLL Investments (Proprietary) Limited ("PLL Investments"), as well as indirect shareholders of that company. PLL Investments indirectly owns 100% of the premises leased by Kwikpay and 50% of the premises leased by by Comm Express and Matragon.
- Mark Pamensky is a director of Friedshelf 669 (Proprietary) Limited ("Friedshelf 669"), as well as indirect shareholder of that company, together with Brett Marlon Levy and Mark Steven Levy. Friedshelf 669 owns 50% of the premises leased by SharedPhone.
- Sidney Ellerrine has a 40% indirect, non beneficial interest in Ellerrine Bros. (Proprietary) Limited which owns 50% of the Blue Label Telecoms office building. Ellerrine Bros. (Proprietary) Limited purchased the property on 1 September 2004. TPC pays monthly rentals to Ellerrine Bros. (Proprietary) Limited.

These lease agreements were all concluded on an arms length basis, and with the consent of the directors and shareholders of the companies concerned.

66. PROPERTY AND SUBSIDIARIES ACQUIRED OR TO BE ACQUIRED

There were no material acquisitions made by the Blue Label Group in the three years prior to the Listing Date, save for the acquisitions in terms of the Restructuring as explained in Annexure 1 of this Pre-Listing Statement.

At the date of this Pre-Listing Statement Blue Label Telecoms has signed an agreement with the shareholders of Polska Holdings to acquire all of the shares and loan claims of Polska Holdings for R12.4 million. The acquisition of Polska Holdings is conditional upon Polska Holdings meeting certain statutory and regulatory requirements to the extent legally required.

Gold Label acquired 260 219 warrants in Oxigen India shares at a non-refundable purchase price of Rupees 16.01. Each warrant entitles the holder to subscribe for one equity share in Oxigen India at Rupees 144.11. The warrants are exercisable from 31 October 2007. Neither the warrants nor the consequences of exercising the warrants were taken into consideration in calculating the *pro forma* financial effects as the effect would be immaterial to a Blue Label Telecoms Shareholder. The exercising of the warrants by Gold Label will result in Gold Label acquiring an additional 0.7% of Oxigen India.

Apart from the abovementioned, there are no other proposed acquisitions by Blue Label Telecoms of any other property and Blue Label Telecoms also does not have any other options to acquire any property.

67. PROPERTY AND SUBSIDIARIES DISPOSED OF OR TO BE DISPOSED OF

There were no material disposals made by the Blue Label Group in the three years prior to the Listing Date, save for the disposals in terms of the Restructuring .

At the date of this Pre-Listing Statement there are no proposed disposals agreed to by Blue Label Telecoms of any subsidiaries or properties other than as disclosed in this Pre-Listing Statement.

68. INTEREST OF ADVISORS AND PROMOTERS

None of the advisors, as set out in the "Corporate information" section of this Pre-Listing Statement, hold any Blue Label Telecoms Shares or have agreed to acquire any Blue Label Telecoms Shares in the share capital of Blue Label Telecoms, apart from:

- Investec – Investec, through its Direct Investments division will own 11 606 265 Blue Label Telecoms Shares, equivalent to approximately 2% in the share capital of Blue Label Telecoms after the Restructuring. Investec will sell Blue Label Telecoms Shares in terms of the Offer for Sale to the value of R1 381 573, a maximum number of Blue Label Telecoms Shares of 240 274;

- aloeCap – aloeCap's controlling shareholder; New Heights Investments owns 3% of Nthwese which owns 125 056 301 Blue Label Telecoms Shares after the Restructuring, equivalent to 21.47% in the share capital of Blue Label Telecoms.

Apart from payments and settlements in terms of the Restructuring, Blue Label Telecoms has not paid any amount (whether in cash or in securities), nor given any benefit to any promoters or any partnership, syndicate or other association of which the promoter was a member; not being a Director or a selling Shareholder during the three years preceding the date of this Pre-listing Statement. No promoters have any material beneficial interest in the promotion of Blue Label Telecoms.

69. MATERIAL CONTRACTS

Annexure 17 to this Pre-listing statement sets out:

- material contracts that have been entered into by the Blue Label Group or its subsidiaries during the two years preceding the date of this Pre-Listing Statement, other than in the ordinary course of business;
- contracts entered into at any time prior to the two years preceding the date of this Pre-Listing Statement other than in the ordinary course of business that contain obligations or settlements material to the Blue Label Group or its subsidiaries as at the date of this Pre-Listing Statement; and
- all the agreements relating to the Restructuring.

There are no existing or proposed contracts relating to royalties, secretarial or technical fees payable by Blue Label Telecoms, nor are there any contracts entered into which contain an obligation or settlement that is material to Blue Label Telecoms or its subsidiaries at the date of the Pre-Listing Statement, other than set out elsewhere in this Pre-Listing Statement.

70. MATERIAL CAPITAL COMMITMENTS

There were no material capital commitments as at the last practicable date.

71. CONTINGENT LIABILITIES

There were no material contingent liabilities as at the last practicable date.

72. LEASE PAYMENTS

Blue Label Group has various operating lease agreements for office equipment and other facilities. The future minimum lease payments under non-cancellable operating leases as at 31 May 2007 were as follows:

- due within 1 year is R8 552 153;
- due in 2 to 5 years is R33 535 190; and
- due in greater than 5 years is R13 330 968.

73. LOAN CAPITAL AND MATERIAL LOANS

Details of the material borrowings of the Blue Label Group as at 31 May 2007 are set out in Annexure 14 to this Pre-Listing Statement.

Blue Label Telecoms has no debentures in issue as at the date of this Pre-Listing Statement.

Blue Label Telecoms does not have any material loans receivable outstanding as at the date of this Pre-Listing Statement.

No loans have been made or security furnished by the Blue Label Group to or for the benefit of any Director or manager as at the date of this Pre-Listing Statement.

The inter-company loans of the Blue Label Group as at 31 May 2007 are set out in Annexure 14 to this Pre-Listing Statement.

None of the companies in the Blue Label Group has exceeded its borrowing powers in the past three years.

No loans in the Blue Label Group carry any conversion or redemption rights.

The borrowing powers of the Blue Label Group were not exceeded at any time during the past three years, nor are there any exchange control restrictions on the borrowing powers of Blue Label Telecoms or its subsidiaries.

74. LITIGATION STATEMENT

No legal or arbitration proceedings have been instituted that may have or have had in the last 12 months, a material effect on the Blue Label Group's financial position nor is the Blue Label Group aware of any such proceedings that are pending or threatened.

75. EXPENSES

The Blue Label Group has not incurred any preliminary expenses (within the meaning of the Listings Requirements) over the last three financial years.

The expenses of the Private Placing (including expenses incurred in relation to the Offer for Subscription and Offer for Sale, referred to as the issue expenses), estimated to be in the sum of approximately R39 155 000, shall be paid by Blue Label Telecoms.

The table below sets out the total estimated expenses of the Private Placing and the Listing (including the issue expenses):

Details	Payable to	(R`000)
Capital raising fee ⁽¹⁾	Investec	23 450
Legal Fees	ENS	5 000
Investment banking and sponsor fees	Investec	3 500
Investment banking fees	aloeCap	2 000
Accounting and auditing fees	PricewaterhouseCoopers Inc.	3 000
Accounting and auditing fees	Ernst and Young	1 600
JSE documentation	JSE	55
Printing, publication, distribution and advertising costs	Various	500
Transfer secretaries	Various	50
Total expenses and fees (exclusive of value added tax thereon)		39 155

⁽¹⁾ The capital raising fee charged by Investec will be 1.5% of the total capital raised on the Private Placing from the Offer for Subscription and Offer for Sale. The capital raising fee shown above assumes 100% of the Blue Label Telecoms Shares as contemplated in the Private Placing have been placed (being R1 000 000 000 in terms of the Offer for Subscription and R376 467 352 in terms of the Offer for Sale in the share capital of Blue Label Telecoms).

76. COMMISSIONS PAID OR PAYABLE IN RESPECT OF UNDERWRITING

Save for the fees and equity interests as disclosed in this Pre-Listing Statement and the equity interests of the advisors, as disclosed in paragraph 68, none of the advisors have any additional equity interest in Blue Label Telecoms.

77. CONSENTS

The Legal Advisor, the independent reporting accountants (whose opinions have not been withdrawn prior to the issue of this Pre-Listing Statement), the Bookrunner (in its capacity as Bookrunner, Investment Bank, and Sponsor), the Joint-Financial Advisors and the transfer secretaries named in this Pre-listing statement have consented in writing to act in the capacities stated, and to their names being stated in this Pre-Listing Statement, and none of these consents have been withdrawn prior to the publication of this Pre-Listing Statement.

78. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at Blue Label Telecoms' registered office and the Sponsor's offices set out in the "Corporate Information" section during normal business hours (Saturdays, Sundays and official South African public holidays excluded) from the date of issue of this Pre-Listing Statement until the Closing Date:

- the Memorandum and Articles of Association of Blue Label Telecoms and its main operating subsidiaries;
- the independent reporting accountants' reports dated 22 October 2007, which are included as Annexures 3 to 10 of this Pre-listing Statement;
- written consents of the legal advisor, the independent reporting accountants, the Bookrunner (in its capacity as Bookrunner, Investment Bank and Sponsor), Joint Financial Advisors and the transfer secretaries named in this Pre-Listing Statement to act in those capacities;

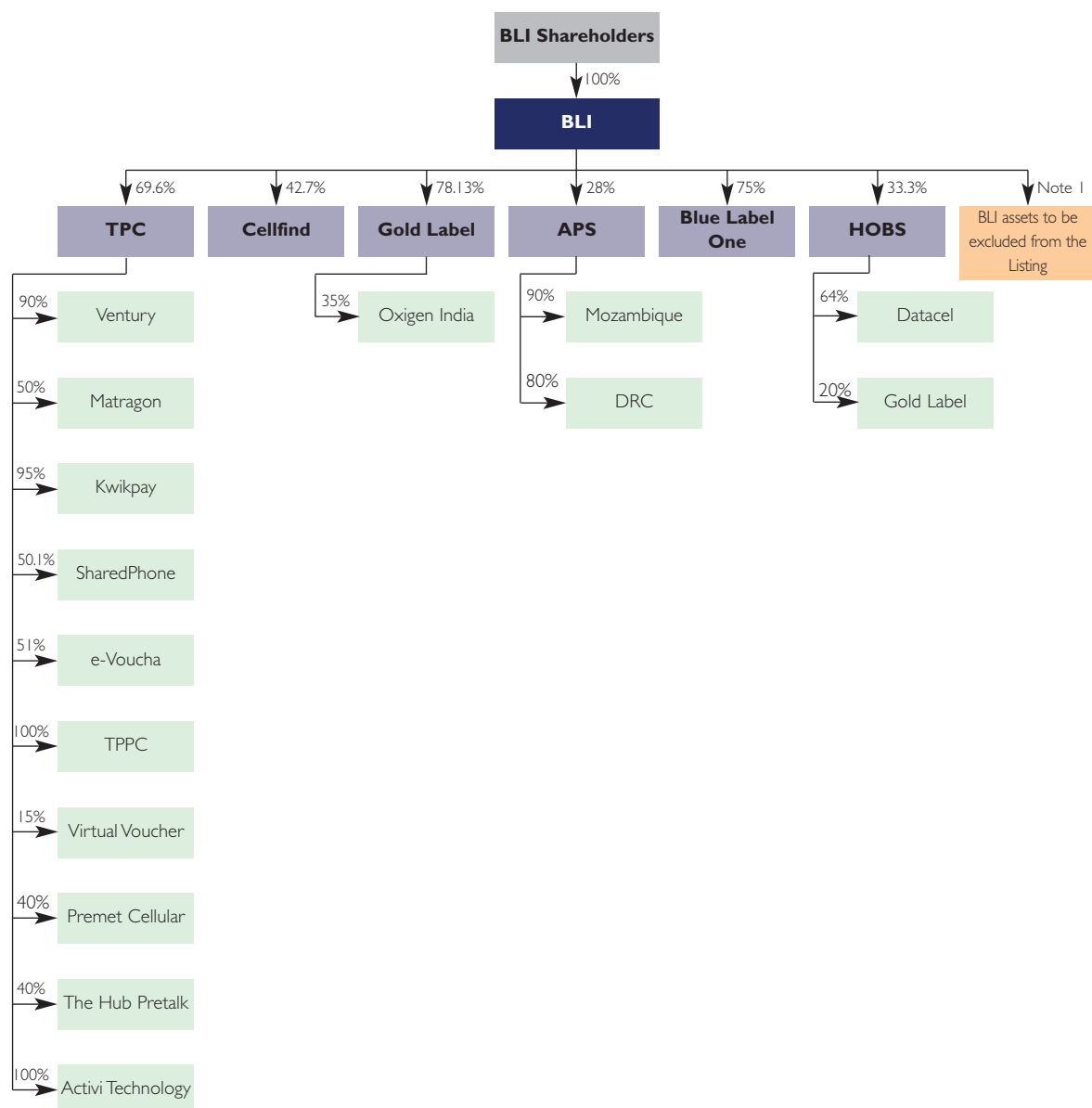
- the audited annual financial statements of Blue Label Telecoms and the consolidated audited financial statements of TPC for the three financial years ended 31 May 2007;
- copies of the material contracts referred to in Annexure 17 "Material Contracts", including the Restructuring Agreements;
- copies of all service agreements with directors or managers; and
- a signed copy of this Pre-Listing Statement.

SIGNED AT SANDTON ON 26 OCTOBER 2007 BY OR ON BEHALF OF THE DIRECTORS OF BLUE LABEL TELECOMS LIMITED.

THE RESTRUCTURING

I. GROUP STRUCTURE BEFORE THE RESTRUCTURING

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



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

- BLI's 73% investment in Friedshelf 649 which holds a 25.2% interest in WBSH;
- BLI's interests in the BLI Non-Core Assets.

2. RATIONALE FOR THE RESTRUCTURING

The Blue Label Group will restructure its operations and holdings prior to the Listing in order to:

- simplify the group structure by disposing of WBSH and the BLI Non-Core Assets and eliminating the indirect holdings within the group;
- improve the Blue Label Group's focus on its core activities;

- give the Blue Label Group control over its cash flows and operations;
- allow the Blue Label Group to extract additional synergies from being a wholly-owned group of companies; and
- align the Blue Label Group's management time and focus to its core activities.

3. OVERVIEW OF THE RESTRUCTURING

The Restructuring will be completed by the Restructuring Date. Please refer to Annexure 17 for a detailed summary of all the agreements and aggregate purchase prices paid in terms of the Restructuring. The Restructuring Agreements will also be open for inspection in terms of paragraph 69.

The Restructuring includes the following steps:

Step 1: Create Newco and dispose of assets not to be included in the Listing

- The BLI Shareholders set up a new company, Newco, the shareholding of which will replicate the shareholding of BLI upon implementation of the BLI Share Sale Agreement
- BLI disposes of the BLI Non-Core Assets to Newco on loan account to the value of R46 052 445
- The shareholders of Newco will fund the repayment of the loan between BLI and Newco

Step 2: BLI to unbundle its indirect interest in WBSH

- BLI owns 73% of Friedshelf 649
- Friedshelf 649 owns 25.2% of WBSH
- WBSH owns 100% of WBS
- Friedshelf 649 will settle its loan obligations to its shareholders in the form of WBSH shares, whereafter the remaining WBSH shares will be unbundled to the BLI shareholders and the other Friedshelf 649 shareholders.

Step 3: Blue Label Telecoms will acquire all the shares in BLI

- Blue Label Telecoms is a newly incorporated company and will be used to facilitate the Listing of the Blue Label Group
- Blue Label Telecoms will acquire in terms of the BLI Share Sale Agreement all the shares in BLI from the BLI Shareholders on the Restructuring Date and will issue 314 623 074 Blue Label Telecoms Shares at R5.50 per share to the BLI Shareholders
- On the Restructuring Date Blue Label Telecoms will also acquire the loan claims of the BLI Shareholders in BLI to the value of R349 106 114 by issuing 63 473 839 Blue Label Telecoms Shares at R5.50 per share to the BLI Shareholders

Step 4: BLI acquires 16.8% in HOBS

- BLI will acquire 16.8% in HOBS, being 168 HOBS shares, from the HOBS outside shareholders on loan account to the amount of R21 067 200 million
- The loan account will be settled by BLI within seven days after listing, in cash

Step 5: BLI unbundles its investments in subsidiaries to Blue Label Telecoms

- BLI unbundles all its shares in the following companies to Blue Label Telecoms by way of a distribution *in specie*:
 - 69.6% in TPC;
 - 75% in Blue Label One;
 - 50.1% in HOBS.

Step 6: Blue Label Telecoms acquires the remaining shares in TPC

- On the Restructuring Date, Blue Label Telecoms will acquire the 30.4% interest in TPC that it does not already own from Shotput Investments for R729 600 000 by issuing 132 654 545 Blue Label Telecoms Shares at R5.50 per share.
-

Step 7: TPC acquires the shares in the non-subsidiary companies of BLI

- TPC acquires all the shares held by BLI from BLI in the following associates
 - 42.7% in Cellfind for R123 830 000; and
 - 28% in APS for R23 924 292.39.
- The consideration for the acquisition of the abovementioned associates will be on loan account between TPC and BLI

Step 8: TPC acquires sufficient shares to increase its shareholding to more than 50% in non-subsidiary companies

- TPC acquires sufficient shares from the other shareholders in the below mentioned companies on loan account to ensure that it holds more than 50% in the share capital of those companies:

Company	Acquired %	Cash paid (R)	Value shares issued (R)	Number of shares issued
Cellfind	10	29 000 000	–	–
APS	22.5	7 049 121.90	12 175 756	2 213 774*
Virtual Voucher	35.5	15 975 000	–	–
Budding Trade	1	30 000	30 000	5 455*
Matragon	1	1 940 000	–	–

* To be settled by the issue of Blue Label Telecoms Shares

Step 9: TPC unbundles all its shares held in subsidiary companies to Blue Label Telecoms

- TPC will unbundle its interests in the below mentioned companies to Blue Label Telecoms:
 - 90% in Ventury;
 - 51% Matragon;
 - 51% in Budding Trade;
 - 100% in Matrix;
 - 95% in Kwikpay;
 - 50.1% in SharedPhone;
 - 51% in e-Voucha;
 - 100% in TPPC;
 - 50.5% in Virtual Voucher;
 - 100% in Activi Technology;
 - 52.7% in Cellfind; and
 - 50.5% in APS.

Step 10: Blue Label Telecoms acquires all the remaining shares in its subsidiaries

- Blue Label Telecoms will acquire the remaining interests in its subsidiaries on the Restructuring Date and the consideration will be paid in a combination of Blue Label Telecoms Shares issued at R5.50 and cash (to be paid within 7 days from the Listing Date):

Company	Acquired %	Cash paid (R)	Value shares issued (R)	Number of shares issued
Virtual Voucher	49.5	3 150 000	19 125 000	3 477 273
Budding Trade	49	1 470 000	1 470 000	267 273
Kwikpay	5	–	1 125 000	204 545
Matragon	49	46 560 000	48 500 000	8 818 182
Cellfind	47.3	–	137 170 000	24 940 000
APS	21.5	6 621 902	11 748 536.42	2 136 097
Blue Label One	25	–	10 000 000	1 818 182
HOBS	49.9	20 753 700	41 820 900	7 603 800
Velociti	49	4 000 000	4 000 000	727 273

Step 11: HOBS unbundles its investment in Datacel to Blue Label Telecoms and sells its interest in Gold Label to Blue Label Telecoms

- HOBS unbundles its 64% interest in Datacel to Blue Label Telecoms by way of a distribution in specie
 - HOBS sells its 20% interest in Gold Label to Blue Label Telecoms
-

Step 12: Blue Label Telecoms acquires the outside shareholders interest in Datacel

- Blue Label Telecoms acquires the 36% outside shareholders' interest in Datacel from the other Datacel shareholders for R54 million, R27 000 000 settled in cash and R27 000 000 settled in 4 909 091 Blue Label Telecoms Shares issued of R5.50 per share.
-

Step 13: Blue Label Telecoms acquires all the loan claims in its subsidiary companies

- Blue Label Telecoms acquires all the loan claims in its subsidiary companies from the former subsidiary outside shareholders.
 - The loan claims will be settled with a combination of cash (to be paid by Blue Label Telecoms within 7 days after the Listing Date) and Blue Label Telecoms shares to be issued at R5.50:
-

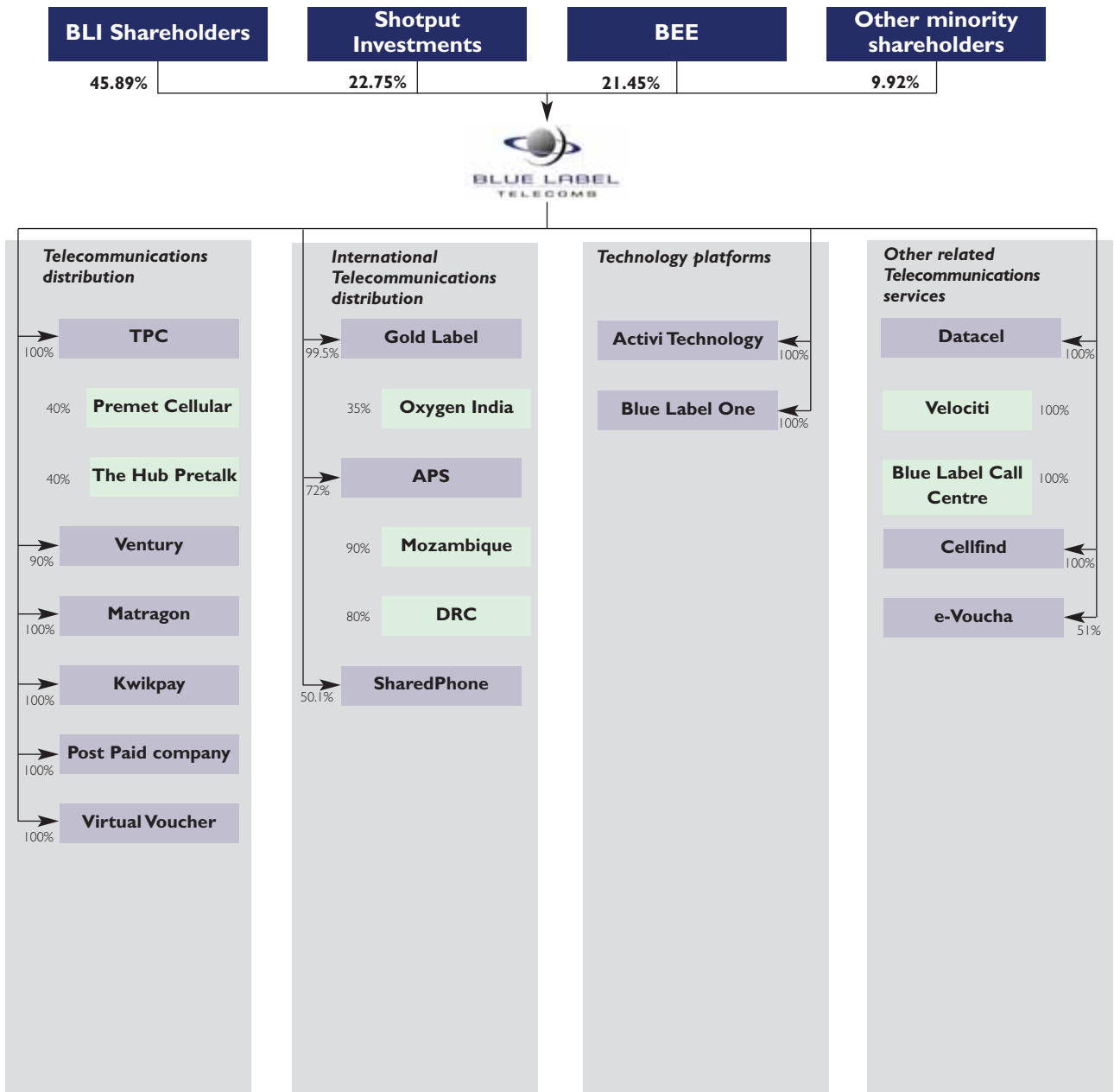
Company	Loan claim R	Cash paid R	Shares issued
Matragon	23 275 160	23 275 160	–
APS	3 917 383	1 958 691.5	356 126

Step 14: BLI is voluntarily wound up

- BLI will be voluntarily wound up within 6 months after the restructuring Date.
 - All BLI's remaining assets will be distributed by way of a liquidation distribution to Blue Label Telecoms
-

4. THE RESULTANT BLUE LABEL GROUP STRUCTURE POST THE RESTRUCTURING

The resultant Blue Label Group structure, post the Restructuring, showing the net effect of the restructuring, is illustrated below:



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 Kwipay 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
ASSETS			
Non-current assets		157 796 967	145 344 331
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	–
Current assets		1 755 652 971	1 222 527 605
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
Total assets		1 913 449 938	1 367 871 936
EQUITY AND LIABILITIES			
Capital and reserves		341 191 842	208 069 786
Share capital	11	100	100
Retained earnings		301 719 833	175 433 168
Minorities interest		39 471 909	32 636 518
Non-current liabilities		285 214 756	67 370 597
Interest bearing borrowings	12	264 543 648	48 712 568
Deferred tax	13	20 671 108	18 658 029
Current liabilities		1 287 043 340	1 092 431 553
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
Total equity and liabilities		1 913 449 938	1 367 871 936

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)
Operating profit	17	232 117 861	134 507 746
Finance cost – net	18	(46 541 189)	(26 190 377)
Share of profit of associates	6.1	3 328 565	2 848 682
Profit for year before taxation		188 905 237	111 166 051
Taxation	19	(53 853 307)	(27 107 071)
Net profit for the year		135 051 930	84 058 980
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
Balance at 1 June 2005		100	98 848 634	11 357 483	110 206 217
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
Balance at 1 June 2006		100	175 433 168	32 636 518	208 069 786
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)
Balance at 31 May 2007		100	301 719 833	39 471 909	341 191 842

CONSOLIDATED CASH FLOW STATEMENT

	Notes	2007 R	2006 R
Cash flows from operating activities		(792 622)	560 830 674
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)
Cash flows from investing activities		79 702 825	(102 326 899)
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	–
Cash flows from financing activities		308 706 218	234 261 491
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
Increase in cash and cash equivalents		387 616 421	692 765 266
Cash and cash equivalents at beginning of year		717 761 781	24 996 515
Cash and cash equivalents at end of year	10	1 105 378 202	717 761 781

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
Revenue	(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)
Operating profit		105 506 914	29 000 832	134 507 746
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
Profit for the year before taxation		112 498 915	(1 332 864)	111 166 051
Taxation	(e)	(27 210 879)	103 808	(27 107 071)
Net profit for the year		85 288 036	(1 229 056)	84 058 980
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
ASSETS				
Non-current assets				
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
Current assets				
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
Total assets		1 369 256 744	(1 384 808)	1 367 871 936
EQUITY AND LIABILITIES				
Capital and reserves				
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
Non-current liabilities				
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
Current liabilities				
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
Total equity and liabilities		1 369 256 744	(1 384 808)	1 367 871 936

4. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment R	Furniture and fittings R	Motor vehicles R	Office equipment R	Terminals R	Security equipment R	Leasehold improve- ments R	Vending machine R	Media equipment R	Plant and machinery R	Buildings R	Total R
2007												
Cost												
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
Accumulated depreciation												
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
2006												
Cost												
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
Accumulated depreciation												
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	
Year ended 31 May 2007								
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	
At 31 May 2007								
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
Year ended 31 May 2006								
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
At 31 May 2006								
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

	2007	2006
	R	R
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:

Name	Country of incorporation	Assets	Liabilities	Revenues	Profit	% interest held
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

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

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
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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
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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
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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
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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
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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
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	2007 R	2006 R
9. TRADE AND OTHER RECEIVABLES		
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
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Issued

10 000 ordinary shares of R0.01 each	100	100
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12. INTEREST BEARING BORROWINGS

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

	2007 R	2006 R
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	–

	2007 R	2006 R
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
Group							
At 1 June 2005	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)
At 31 May 2006	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)	–	–	–	–	–	–	–
At 31 May 2007	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
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14. SHAREHOLDER'S LOAN

Blue Label Investments (Proprietary) Limited	49 000 000	49 000 000
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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
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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
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	2007 R	2006 R
17. OPERATING PROFIT		
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

	2007 %	2006 %
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

	2007 R	2006 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

	Profit before tax R	Tax R	Minority interest R	Headline earnings R
2007				
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
2006				
Attributable profit for the year	1 111 166 051	(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
			2007 R	2006 R

22. NOTES TO THE CASH FLOW STATEMENT

22.1 Cash generated by operating activities

Net profit before taxation	188 905 237	1 111 166 051
<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

	Kwikpay	eVoucha	Friedshelf 771	ITEX	Transaction Junction
	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

2007

	35% Kwikpay	51% eVoucha	100% Friedshelf 771	100% ITEX	60% Transaction Junction	Total
Cash and cash equivalents	–	–	–	–	58 241	58 241
Property, plant and equipment	–	–	–	187 120	1 133 618	1 320 738
Intangible assets identified as part of purchase price allocation- software	–	–	–	5 038 771	8 782 515	13 821 286
Intangible assets	–	2 500 000	–	–	–	2 500 000
Receivables	–	1 000	100	9 483	2 697	13 280
Deferred tax	–	–	–	–	(57 489)	(57 489)
Deferred tax on purchase price allocation values	–	–	–	(1 461 244)	(2 546 929)	(4 008 173)
Borrowings	–	(2 500 000)	–	–	(590 489)	(3 090 489)
Payables	–	–	–	(270 436)	(509 690)	(780 126)
Minority interests	4 090 907	(490)	–	–	(2 508 990)	1 581 427
Fair value of net assets acquired	4 090 907	510	100	3 503 694	3 763 484	11 358 695
Goodwill/(Excess of acquirers interest in the net fair value over cost*)	(690 907)	2 499 490	–	1 296 606	436 516	3 541 705
Total purchase consideration	3 400 000	2 500 000	100	4 800 300	4 200 000	14 900 400
Less: Cash and cash equivalents in subsidiary	–	–	–	–	(58 241)	(58 241)
Cash flow on acquisition	3 400 000	2 500 000	100	4 800 300	4 141 759	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.

	Cheque Guarantee Services	The Post Paid Company	Matrix Investments	Matragon	Kwikpay	Share Phone
	Group company consisting of: 1. CGS 2. Iveri 3. Ggicell	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

	9%	40%	50%	50%	60%	50.1%	100%
	Cheque Guarantee Services	The Post Paid Company	Matrix Investments	Matragon	Kwikpay	Shared Phone	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 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
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23. CONTINGENT LIABILITIES

Liability for Secondary Tax on Companies which would arise if reserves were to be distributed.	26 839 938	19 574 511
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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
Smokey 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
Sales to related parties		
– Blue Label Investments (Proprietary) Limited	3 899	765 639
– BSC Technologies (Proprietary) Limited	904 467	707 134
– Blue Label Finance (Proprietary) Limited	4 081	–
Purchases from related parties		
– Cigicell (Proprietary) Limited		
– Blue Label Investments (Proprietary) Limited	486 038	–
– BSC Technologies (Proprietary) Limited	9 297 554	14 125 617
Interest paid to related parties		
– Blue Label Investments (Proprietary) Limited	6 839 192	6 125 000
Management fees paid to related parties		
– Blue Label Investments (Proprietary) Limited	865 526	14 785 000
Interest received from related parties		
– Friedshelf 771 (Proprietary) Limited	125 145	–
Management fees received from related parties		
– Blue Label Investments (Proprietary) Limited	3 000 000	–
Intercompany recovery charges from related parties		
– Blue Label Investments (Proprietary) Limited	600 894	686 169
– Blue Label Private Equity (Proprietary) Limited	3 494	–
Intercompany expenditure to related parties		
– BSC Technologies (Proprietary) Limited	–	29 012
– Blue Label Investments (Proprietary) Limited	–	405 585
Rent paid to related parties		
– 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)
Loans from related parties		
– 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	–
Loans receivable from related parties		
– Blue Label One (Proprietary) Limited	4 098 617	–
– Blue Label Investments (Proprietary) Limited	4 404 149	–
Amounts payable to related parties		
– Virtual Voucher (Proprietary) Limited	–	6 373 815
– Kwikpay (Proprietary) Limited	74 045	–
Amounts receivable from related parties		
– 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
Subsidiary of The Prepaid Company (Proprietary) Limited					
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
Indirectly held:					
Subsidiaries of Ventury Group (Proprietary) Limited:					
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	–
Incentivetech (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	–
Directly held:					
Associate of The Prepaid Company (Proprietary) Limited					
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	—
Revenue	8 868 334 609	5 450 588 943	8 810 603 452	5 434 485 578	57 998	—	—	—	57 673 159	—	—	—	—	57 673 159	16 103 365	—
Segment result																
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	—	—	—	—	(1 812 634)	3 736 542	—
Depreciation and amortisation	(25 545 747)	(11 163 103)	(23 515 551)	(9 811 506)	(217 562)	—	—	—	—	—	—	—	—	—	(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)	—	—	—	—	45 139	(302 372)	20 779
Finance income	93 712 305	34 398 401	93 667 166	34 377 622	—	—	—	—	—	—	—	—	—	—	—	—
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	—
Net profit for the year	135 051 930	84 058 980	120 568 430	70 139 298	12 933 474	12 933 474	11 589 026	11 589 026	1 550 026	—	—	—	—	1 550 026	2 330 656	—
Non-cash items																
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	—	—	—	—	—	—	—	—	423 402	—	—
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	—									
Total assets	1 913 449 938	1 367 871 936	1 848 703 315	1 342 763 844	3 035 723	4 451 827	61 710 900	20 656 265								
Additions to non-current assets																
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	—	—	—	—	—								
Total liabilities	1 572 258 096	1 159 802 150	1 539 557 436	1 153 266 969	3 242 598	—	29 458 062	6 535 181								
Reconciliation of segmental results to consolidated results as per IFRS 8																

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
ASSETS			
Non-current assets		263 439 921	114 407 191
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
Current assets		1 105 816 823	274 584 468
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
Total assets		1 369 256 744	388 991 659
EQUITY AND LIABILITIES			
Capital and reserves		209 298 842	109 995 938
Share capital	9	100	100
Accumulated profit		176 170 602	98 620 229
Outside shareholders' interest		33 128 140	11 375 609
Non-current liabilities		96 995 655	23 050 556
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
Current liabilities		1 062 962 247	255 945 165
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	–
Total equity and liabilities		1 369 256 744	388 991 659

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)
Operating profit	16	105 506 914	69 585 882
Finance (costs)/income	17	4 143 319	(16 280 497)
Share of profit of associates	4.1	2 848 682	94 153
Net profit for year before taxation		112 498 915	53 399 538
Taxation	18	(27 210 879)	(12 350 770)
Net profit for the year		85 288 036	41 048 768
<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

	Share capital R	Accumulated profit R	Minority interest R	Total R
Balance at 1 June 2004	100	58 500 490	10 674 985	69 175 575
Net profit for the year	–	40 348 144	700 624	41 048 768
Balance at 31 May 2005	100	98 848 634	11 375 609	110 224 343
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)
Balance at 31 May 2006	100	176 170 602	33 128 140	209 298 842

CASH FLOW STATEMENT

	Notes	2006 R	2005 R
Cash flows from operating activities		562 974 810	59 808 051
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)
Cash flows from investing activities		(104 471 035)	(79 384 623)
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)	–
Cash flows from financing activities		234 261 491	(5 796 256)
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)
Increase/(decrease) in cash and cash equivalents		692 765 266	(25 372 828)
Cash and cash equivalents at beginning of year		24 996 515	50 369 343
Cash and cash equivalents at end of year	8	717 761 781	24 996 515

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
2006													
Cost or valuation													
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
Accumulated depreciation													
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
2005													
Cost or valuation													
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
Accumulated depreciation													
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)	—	—	—	(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
Year ended 31 May 2006					
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
At 31 May 2006					
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
Year ended 31 May 2005					
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
At 31 May 2005					
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
				2006 R	2005 R

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
2005						
Cellpad (Proprietary) Limited	South Africa	5 615 280	2 067 710	3 735 926	313 844	30
2006						
Virtual Voucher (Proprietary) Limited	South Africa	21 699 392	15 872 543	400 481 067	5 421 458	15
					2006 R	2005 R

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
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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
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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	–
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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	–
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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	–
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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
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	2006 R	2005 R
6. INVENTORIES		
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.		
7. TRADE AND OTHER RECEIVABLES		
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.		
8. CASH AND CASH EQUIVALENTS		
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.		
9. 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
The dividends paid in 2006 and 2005 were R245 000 and Rnil respectively.		
10. SHAREHOLDERS' 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 is ceded by Blue Label Investment to First National Bank for banking facilities.		
11. INTEREST BEARING BORROWINGS		
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.		

	2006 R	2005 R
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

	2006 R	2005 R
12. DEFERRED TAX		
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

	2006 R	2005 R
16. OPERATING PROFIT		
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)	–
17. FINANCE COSTS		
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
18. TAXATION		
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

	2006	2005
	R	R
19. DIRECTORS' EMOLUMENTS		
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	1 12 498 915	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)
Payments made	(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 67% and 14%	4 August 2004 60%	15 September 2003 50%	1 May 2006 50%	1 September 2005 60%	1 May 2005 50.1%
% acquired						
Further acquisition						
Date acquired	1 October 2005 9%	31 May 2006 40%	31 May 2006 50%			
% acquired						
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:

	The Post Paid Company	Cheque Guarantee Services	Iveri Payment Technologies
	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
2005				
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

	2006 R	2005 R
21. CONTINGENT LIABILITIES		
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
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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
24. RELATED PARTIES (Continued)		
Basis of transactions		
All transactions with related parties are conducted on an arm's length basis.		
Related party transactions		
Sales to related parties		
– 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	–
Purchases from related parties		
– Blue Label Investments (Proprietary) Limited	–	10 519 227
– BSC Technologies (Proprietary) Limited	14 125 617	–
– ZOK Cellular (Proprietary) Limited	154 491 579	–
Interest paid to related parties		
– Blue Label Investments (Proprietary) Limited	6 125 000	6 382 702
Management fees paid to related parties		
– Blue Label Investments (Proprietary) Limited	14 785 000	694 734
– Blue Label Marketing (Proprietary) Limited	96 318	–
Interest received from related parties		
– Blue Label Investments (Proprietary) Limited	–	589 726
– Cellpad (Proprietary) Limited	8 390	–
Management fees received from related parties		
– Blue Label Investments (Proprietary) Limited	–	139 500
– ZOK Cellular (Proprietary) Limited	3 400 000	–
– Cheque Guarantee Services (Proprietary) Limited	1 779 606	–
Intercompany recovery charges from related parties		
– 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	–
Intercompany expenditure to related parties		
– BSC Technologies (Proprietary) Limited	29 012	–
– Blue Label Investments (Proprietary) Limited	405 585	–
Rent paid to related parties		
– 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)	–
Loans from related parties		
– 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
25. INTEREST IN SUBSIDIARIES AND ASSOCIATE					
Subsidiary of The Prepaid Company (Proprietary) Limited					
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	–
Indirectly held:					
Subsidiaries of Cheque Guarantee Services (Proprietary) Limited:					
CGS (Proprietary) Limited	RSA	300	90%	300	16 100 000
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	–
Incentivetech (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
Directly held:					
Associate of The Prepaid Company (Proprietary) Limited					
Virtual Voucher (Proprietary) Limited	RSA	100	15%	1 190 000	–

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF TPC FOR THE YEAR ENDED 31 MAY 2007

"The Directors
Blue Label Telecoms Limited
75 Grayston Drive
Morningside Ext. 5
Sandton
2057

22 October 2007

Dear Sirs

Report of the Independent Reporting Accountants on The Pre Paid Company (Proprietary) Limited ("TPC")**Introduction**

Blue Label Telecoms Limited ("Blue Label Telecoms"), the entity to be the holding company of TPC, is issuing a pre-listing statement relating to its proposed listing on the JSE Limited ("JSE"). At your request and for the purposes of the pre-listing statement to be dated on or about 26 October 2007 ("the Pre-listing Statement"), we present our report on the historical consolidated financial information of TPC presented in Annexure 2 (A) to the Pre-listing Statement.

Responsibilities*Directors' Responsibility for the Financial Statements*

The company's directors are responsible for the preparation, contents and presentation of the pre-listing statement and the fair presentation of the Report of Historical Financial Information in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the consolidated financial information presented in the Report of Historical Financial Information, included in the Pre-listing Statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial information is free from material misstatement.

Scope

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial information of TPC as set out in Annexure 2A, presents fairly, in all material respects, and for the purposes of the Pre-listing Statement, the consolidated financial position of TPC at 31 May 2006 and 2007, and the consolidated results of its operations and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards and the JSE Listing Requirements.

PricewaterhouseCoopers Inc

Director: R Shedlock

Registered Auditor

2 Eglin Rd

Sunninghill

2157"

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF TPC FOR THE YEAR ENDED 31 MAY 2005 AND 31 MAY 2006

"The Directors
Blue Label Telecoms Limited
75 Grayston Drive
Morningside Ext. 5
Sandton
2057

22 October 2007

Dear Sirs

Report of the Independent Reporting Accountants on The Pre Paid Company (Proprietary) Limited ("TPC")**Introduction**

Blue Label Telecoms Limited ("Blue Label Telecoms"), the holding company of TPC, is issuing a pre-listing statement relating to its proposed listing on the JSE Limited ("JSE"). At your request and for the purposes of the pre-listing statement to be dated on or about 26 October 2007 ("the Pre-listing Statement"), we present our report on the historical consolidated financial information of TPC presented in Annexure 2 (B) to the Pre-listing Statement.

Responsibilities*Directors' Responsibility for the Financial Statements*

The company's directors are responsible for the preparation, contents and presentation of the pre-listing statement and the fair presentation of the Report of Historical Financial Information in accordance with South African Statements of Generally Accepted Accounting Practice. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the consolidated financial information presented in the Report of Historical Financial Information, included in the Pre-listing Statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial information is free from material misstatement.

Scope

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial information of TPC as set out in Annexure 2 B, presents fairly, in all material respects, and for the purposes of the Pre-listing Statement, the consolidated financial position of TPC at 31 May 2005 and 2006, and the consolidated results of its operations and consolidated cash flows for the years then ended in accordance with South African Statements of Generally Accepted Accounting Practice and the JSE Listing Requirements.

PricewaterhouseCoopers Inc

Director: R Shedlock

Registered Auditor

2 Eglin Rd

Sunninghill

2157"

HISTORICAL FINANCIAL INFORMATION OF BLUE LABEL TELECOMS

1. INTRODUCTION

The board of directors of Blue Label Telecoms has resolved to list the Blue Label Telecoms Shares on the main board of the JSE. In compliance with the Listings Requirement of the JSE, the financial information of Blue Label Telecoms (previously Friedshelf 776 (Proprietary) Limited) is presented below. This historical financial information is the responsibility of the Directors of Blue Label Telecoms.

2. BASIS OF PREPARATION

The financial information included in this annexure has been extracted from the audited financial statements of Blue Label Telecoms for the period from 21 July 2006 (date of incorporation) to 31 May 2007. Blue Label Telecoms was incorporated on 21 July 2006 and has not traded at the date of the financial information presented below.

3. FINANCIAL INFORMATION

The financial information included in this annexure has been extracted from the audited financial statements.

BLUE LABEL TELECOMS BALANCE SHEET at 31 May 2007

	(Rand)
ASSETS	
Current assets	
Cash	300
	300
EQUITY AND LIABILITIES	
Ordinary share capital and reserves	
Share capital (Note 1)	300
	300

BLUE LABEL TELECOMS STATEMENT OF CHANGES IN EQUITY for the period 21 July 2006 to 31 May 2007

	Share capital (Rand)
Opening balance	–
Shares issued on incorporation	300
Closing balance at 31 May 2007	300

BLUE LABEL TELECOMS INCOME STATEMENT AND CASH FLOW STATEMENT

No income statement or cash flow statement has been prepared as Blue Label Telecoms did not trade during the period under review.

Note to the financial information:

Accounting policies adopted are in line with the Group accounting policies – refer notes to historical information for TPC for detail of accounting policies.

	Number of shares	Ordinary shares (R)
I. SHARE CAPITAL		
Authorised		
At 31 May 2007 (R1.00 each)	1 000	1 000
Issued		
Opening balance	–	–
300 shares issued at par	300	300
Balance at 31 May 2007	300	300

2. SUBSEQUENT EVENTS

Subsequent to 31 May 2007, the Company concluded the Restructuring in order to prepare the Company for the Listing.

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF BLUE LABEL TELECOMS

"The Directors
Blue Label Telecoms Limited
75 Grayston Drive
Morningside Ext. 5
Sandton
2057

22 October 2007

Dear Sirs

Report of the Independent Reporting Accountants on Blue Label Telecoms Limited ("Blue Label Telecoms")

Introduction

Blue Label Telecoms Limited ("Blue Label Telecoms") is issuing a pre-listing statement relating to its proposed listing on the JSE Limited ("JSE"). At your request and for the purposes of the pre-listing statement to be dated on or about 26 October 2007 ("the Pre-listing Statement"), we present our report on the historical financial information of Blue Label Telecoms presented in Annexure 4 to the Pre-listing Statement.

Responsibilities

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation, contents and presentation of the pre-listing statement and the fair presentation of the Report of Historical Financial Information in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the financial information presented in the Report of Historical Financial Information, included in the Pre-listing Statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial information is free from material misstatement.

Scope

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial information of Blue Label Telecoms as set out in Annexure 4, presents fairly, in all material respects, and for the purposes of the Pre-listing Statement, the financial position of Blue Label Telecoms at 31 May 2007 in accordance with International Financial Reporting Standards and the JSE Listing Requirements.

PricewaterhouseCoopers Inc**Director: R Shedlock**

Registered Auditor

2 Eglin Rd

Sunninghill

2157"

PRO FORMA FINANCIAL INFORMATION OF BLUE LABEL TELECOMS

The table below sets out the unaudited *pro forma* income statement of the Blue Label Group for the 12 month period ended 31 May 2007. The *pro forma* income statement has been prepared for illustrative purposes only to show the effect of the Restructuring only and because of its nature may not fairly reflect the financial position, changes in equity, results of the operations or cash flows of the Blue Label Group. The *pro forma* financial information has been prepared in a manner consistent with the accounting policies of Blue Label Telecoms. The *pro forma* financial information is the responsibility of the Directors of Blue Label Telecoms.

Unaudited *pro forma* income statement of Blue Label Telecoms

INCOME STATEMENT FOR THE 12 MONTH PERIOD ENDED 31 MAY 2007

	Before ¹	Acquisitions TPC Group ²	Other Core Investments ³	Consolidation Adjustments ⁴	Pro forma Before Private Placement ⁵
Revenue	–	8 868 334 609	617 140 921	(466 567 590)	9 018 907 940
Other Income	–	33 968 868	32 192 094	(20 485 752)	45 675 210
Changes in inventories of finished goods	–	(8 445 972 290)	(561 111 803)	466 567 590	(8 540 516 503)
Employee compensation and benefit expense	–	(120 538 950)	(41 995 856)	–	(162 534 806)
Depreciation, amortisation and impairment charges	–	(28 928 811)	(2 789 742)	(32 936 220)	(64 654 773)
Other expenses	–	(74 745 566)	(28 314 885)	–	(103 060 451)
Operating profit/(loss)	–	232 117 860	15 120 729	(53 421 972)	193 816 617
Finance costs	–	(140 253 494)	(3 886 330)	8 975 204	(135 164 620)
Finance income	–	93 712 305	568 665	–	94 280 970
Share of profit/(loss) from associates	–	3 328 565	(8 495 380)	(3 328 565)	(8 495 380)
Net profit/(loss) before taxation	–	188 905 236	3 307 684	(47 775 333)	144 437 587
Taxation	–	(53 853 309)	(13 698 476)	12 039 688	(55 512 097)
Net profit after tax	–	135 051 927	(10 390 792)	(35 735 645)	88 925 490
Attributable to:					
Equity holders	–	126 635 142	(9 508 482)	(26 673 907)	90 452 752
Minority interest	–	8 416 818	(882 342)	(9 061 738)	(1 527 262)
Reconciliation to the net profit after tax					
Net profit attributable to equity holders					90 452 752
Intangible asset amortisation					33 816 761
Core net profit after tax					124 269 513
EPS (cents)					15.51
HEPS (cents)					15.51
Core EPS (cents)					21.31
Weighted average number of shares					583 127 787

Notes:

1. Extracted from the audited financial statements of Blue Label Telecoms for the year ended 31 May 2007. Blue Label Telecoms did not trade during the period 31 May 2007
2. Extracted from the audited consolidated financial statements of TPC for the year ended 31 May 2007.
3. Represents the aggregated financial results of other subsidiaries and associates of Blue Label Telecoms extracted from their respective financial statements for the year ended 31 May 2007 including.
 - 72% of Africa Prepaid Services
 - 100% of Blue Label One
 - 100% of Datacel
 - 100% of Cellfind
 - 100% of Virtual Voucher as a subsidiary; whereby it was previously accounted for as an associate
 - 100% of Gold Label
 - Additional 5% of Kwikpay
 - Additional 50% of Matragon.
4. Represents adjustments relating to the amortisation of intangibles arising from the acquisition of outside shareholders' interests the following subsidiaries and associates based on preliminary purchase price allocation exercises conducted in terms of IFRS 3: Business Combinations:
 - Africa Prepaid Services
 - Datacel
 - Cellfind.

Consolidation entries have been also been included to adjust for intercompany and intergroup revenue and cost of sales for those entities that are now being consolidated.
5. Represents the *pro forma* Income Statement of Blue Label Group on the assumption that the restructuring was effective 1 June 2006. All entities within the Blue Label Group have a 31 May year-end.
6. No effect has been given to the cash raised from the private placement.
7. All adjustments are expected to have a continuing effect on Blue Label Telecoms.

Unaudited Pro Forma Balance Sheet of Blue Label Telecoms

BALANCE SHEET AS AT 31 MAY 2007

	Before ¹	Acquisitions		Consolidation Adjustments ⁴	Pro forma	Private Placement and shareholder loan capitalisation and repayment ⁵	Pro forma
		TPC Group ²	Other Core Investments ³		Before Private Placement		After ⁶
ASSETS							
Non-current assets							
Fixed assets	–	36 913 638	7 912 159	–	44 825 797	–	44 825 797
Intangible assets	–	72 097 578	2 929 776	117 959 795	192 987 149	–	192 987 149
Goodwill	–	46 506 718	–	1 065 258 763	1 111 765 481	–	1 111 765 481
Deferred taxation	–	–	697 819	–	697 819	–	697 819
Investment in Associates	–	2 279 033	42 849 587	(2 278 873)	42 849 747	–	42 849 747
	–	157 796 967	54 389 341	1 180 939 685	1 393 125 993	–	1 393 125 993
Current assets							
Investments	–	16 181 966	1 209 475	–	17 391 441	–	17 391 441
Inventories	–	260 933 108	16 142 428	–	277 075 536	–	277 075 536
Loans to group companies	–	–	81 204 755	(81 204 755)	–	–	–
Loan receivable	–	8 624 344	1 578 277	354 606 625	364 809 246	–	364 809 246
Receivables and prepayments	–	280 152 684	24 211 363	–	304 364 047	–	304 364 047
Intangible assets – current	–	84 382 669	–	–	84 382 669	–	84 382 669
Cash and cash equivalents	120	1 105 378 202	18 040 364	–	1 123 418 686	293 773 183	1 417 191 869
Total current assets	120	1 755 652 973	142 386 662	273 401 870	2 171 441 625	293 773 183	2 465 214 808
Total assets	120	1 913 449 940	196 776 003	1 454 341 555	3 564 567 618	293 773 183	3 858 340 801
EQUITY AND LIABILITIES							
Capital and reserves attributable to equity holders	120	301 719 934	75 965 333	983 269 434	1 360 954 821	1 319 606 625	2 680 561 446
Minorities interest	–	39 471 909	(1 110 162)	(20 697 380)	17 664 367	–	17 664 367
Total capital and reserves	120	341 191 843	74 855 171	962 572 054	1 378 619 188	1 319 606 625	2 698 225 813
Non-current liabilities							
Interest bearing borrowings	–	264 543 648	29 434 089	174 128 299	468 106 036	(467 078 552)	1 027 484
Deferred taxation liability	–	20 671 108	6 575 988	34 208 341	61 455 437	–	61 455 437
	–	285 214 756	36 010 077	208 336 640	529 561 473	(467 078 552)	62 482 921
Current liabilities							
Shareholders Loans	–	49 000 000	22 173 763	283 432 861	354 606 624	(354 606 624)	–
Non-interest bearing borrowings	–	23 895 160	5 942 079	–	29 837 239	–	29 837 239
Trade and other payables	–	879 584 231	55 086 524	–	934 670 755	–	934 670 755
Current portion of Interest bearing borrowings	–	302 239 654	63 275	–	302 302 929	(204 148 266)	98 154 663
Current tax liabilities	–	32 324 296	2 641 662	–	34 965 958	–	34 965 958
Bank overdraft	–	–	3 452	–	3 452	–	3 452
	–	1 287 043 341	85 910 755	283 432 861	1 656 386 957	(558 754 890)	1 097 632 067
Total equity and liabilities	120	1 913 449 940	196 776 003	1 454 341 555	3 564 567 618	293 773 183	3 858 340 801
NAV (cents)					233.4		360.7
NTAV (cents)					9.6		185.1
Number of shares					583 127 787		743 187 727

Notes:

1. Extracted from the audited financial statements of Blue Label Telecoms for the year ended 31 May 2007.
2. Extracted from the audited consolidated financial statements of TPC for the year ended 31 May 2007.
3. Represents the aggregated financial position of other subsidiaries and associates of Blue Label Telecoms extracted from their respective financial statements for the year ended 31 May 2007 including:
 - 72% of Africa Prepaid Services
 - 100% of Blue Label One
 - 100% of Datacel
 - 100% of Cellfind
 - 100% of Virtual Voucher as a subsidiary, whereby it was previously accounted for as an associate
 - 100% of Gold Label
 - Additional 5% of Kwikpay
 - Additional 50% of Matragon.
4. Represents adjustments relating to the acquisition of outside shareholders' interests in APS, Datacel and Cellfind, based on purchase price allocation exercises conducted in terms of IFRS 3: Business Combinations and the accrual for liabilities relating to the acquisition considerations which are to be settled in cash on listing.
Further consolidation entries have been also been included to adjust for intercompany and intergroup revenue and cost of sales for those entities that are now being consolidated.
5. Represents the capitalisation of shareholder loans of R355 million and utilisation of R1 billion cash raised from the private placement at an assumed price of R6.25 per share, which represents the mid-range of the private placing range, which will be utilised as follows:
 - to repay external third party debt of R450 million as at 31 May 2007
 - to pay the liabilities of R215 million arising from the acquisition of the minorities shares and claims which is to be settled in cash on listing
 - additional cash for future expansion of R250 million
 - pay listing costs of R39 million.
6. Represents the *pro forma* Balance Sheet of Blue Label Group on the assumption the Restructuring was effective 31 May 2007. All entities within the Blue Label Group have a 31 May year-end.
7. All adjustments are expected to have a continuing effect on Blue Label Telecoms.

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE *PRO FORMA* HISTORICAL FINANCIAL INFORMATION OF BLUE LABEL TELECOMS

“Blue Label Telecoms Limited
75 Grayston Drive
Morningside Ext. 5
Sandton
2057

22 October 2007

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE *PRO FORMA* HISTORICAL FINANCIAL INFORMATION OF BLUE LABEL TELECOMS LIMITED

The board of directors of Blue Label Telecoms Limited (“Blue Label Telecoms”) has resolved to apply for a listing on the main board of the JSE Limited (“the Listing”). Prior to the Listing, Blue Label Telecoms will conclude a restructuring in terms of which Blue Label Telecoms acquire outside shareholder interests in certain of its subsidiaries and associates (“the Restructuring”).

We have performed our limited assurance engagement in respect of the unaudited *pro forma* balance sheet and income statement (“the *pro forma* financial information”) of Blue Label Telecoms set out in Annexure 6 of the pre-listing statement of Blue Label Telecoms, to be dated on or about 26 October 2007, (“the Pre-listing Statement”) to be issued in connection with the Listing. The *pro forma* financial information has been prepared in accordance with the requirements of the JSE Limited (“JSE”) Listing Requirements, for illustrative purposes only, to provide information about Blue Label Telecoms.

Directors' responsibility

The directors are responsible for the compilation, contents and presentation of the *pro forma* financial information contained in the Pre-listing Statement and for the financial information from which it has been prepared. Their responsibility includes determining that: the *pro forma* financial information has been properly compiled on the basis stated; the basis is consistent with the accounting policies of Blue Label Telecoms; and the *pro forma* adjustments are appropriate for the purposes of the *pro forma* financial information disclosed in terms of the JSE Listings Requirements.

Reporting accountants' responsibility

Our responsibility is to express our limited assurance conclusion on the *pro forma* financial information included in the Pre-listing Statement. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements applicable to *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and the *Guide on Pro Forma Financial Information* issued by the South African Institute of Chartered Accountants.

This standard requires us to obtain sufficient appropriate evidence on which to base our conclusion.

We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the *pro forma* financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Source of information and work performed

Our procedures consisted primarily of comparing the unadjusted financial information with the source documents, considering the *pro forma* adjustments in light of the accounting policies of Blue Label Telecoms, considering the evidence supporting the *pro forma* adjustments and discussing the adjusted *pro forma* financial information with the directors and management of the company.

In arriving at our conclusion, we have relied upon financial information prepared by the directors and management of Blue Label Telecoms and other information from various public, financial and industry sources.

While our work performed has involved an analysis of the historical and projected financial information and other information provided to us, our assurance engagement does not constitute an audit or review of any of the underlying financial information conducted in accordance with *International Standards on Auditing or International Standards on Review Engagements* and accordingly, we do not express an audit or review opinion.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. We believe our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on our examination of the evidence obtained, nothing has come to our attention, which causes us to believe that:

- The *pro forma* financial information has not been properly compiled on the basis stated,
- Such basis is inconsistent with the accounting policies of Blue Label Telecoms, and
- The adjustments are not appropriate for the purposes of the *pro forma* financial information as disclosed in terms of the section 8.17 and 8.30 of the JSE Listings Requirements.

Yours faithfully

PricewaterhouseCoopers Inc

Director: PG McCrystal''

UNAUDITED PROFIT FORECAST AND PRO FORMA PROFIT FORECAST OF THE BLUE LABEL GROUP

The table below sets out the unaudited profit forecast and *pro forma* profit forecast of the Blue Label Group. The profit forecast and *pro forma* profit forecast has been prepared for illustrative purposes only and because of its nature may not fairly reflect the financial position, changes in equity, results of the operations or cash flows of the Blue Label Group. The profit forecast and *pro forma* profit forecast information is the responsibility of the Directors of Blue Label Telecoms. The profit forecast reflects the forecast performance of the Blue Label Group for the 5 months prior to the restructure, and Blue Label Telecoms after the restructure for the 7 months post the restructure. The *pro forma* profit forecast aims to provide comparable forecast financial information to that of the *pro forma* financial information, as if the Restructured Blue Label Group was in place from 1 June 2007. The *pro forma* financial information and forecasts have been prepared in a manner consistent with the accounting policies of Blue Label Telecoms.

Unaudited *pro forma* forecast income statement of Blue Label Telecoms INCOME STATEMENT FOR THE PERIOD ENDING 31 MAY 2008

	Forecast ¹	Acquisition of outside shareholder interests in subsidiaries and associates as well as consolidation adjustments ²	Private Placement ³	Pro forma forecast ⁴
Revenue	10 932 271 991	173 249 761	–	11 105 521 752
Other income	34 943 212	(1 117 465)	–	33 825 747
Changes in inventories of finished goods	(10 275 501 631)	(127 795 932)	–	(10 403 297 563)
Employee compensation and benefit expense	(272 751 047)	3 696 654	–	(269 054 393)
Depreciation, amortisation and impairment charges	(52 258 256)	(14 675 192)	–	(66 933 448)
Other expenses	(124 605 223)	(1 977 234)	–	(126 582 457)
Operating profit/(loss)	242 099 046	31 380 592	–	273 479 638
Finance costs – funding	(68 383 063)	22 804 914	41 210 965	(4 367 184)
Finance costs – accounting standards adjustment⁵	(72 104 589)	–	–	(72 104 589)
Finance income	165 794 843	(19 094 491)	26 250 000	172 950 352
Share of profit/(loss) from associates	28 983	(3 599 097)	–	(3 570 114)
Net profit/(loss) before taxation	267 435 220	31 491 918	67 460 965	366 388 103
Taxation	(99 614 002)	3 227 642	(19 563 680)	(115 950 040)
Net profit after tax	167 821 218	34 719 560	47 897 285	250 438 063
Core net profit for the year	234 072 137	–	–	340 403 798
<i>Attributable to:</i>				
Equity holders of parent	144 199 007	57 690 744	47 897 285	249 787 037
Minority interest	23 622 211	(22 971 184)	–	651 026
Reconciliation to core earnings				
Net profit attributable to equity holders	144 199 007	–	–	249 787 037
Settlement of onerous contract	9 000 000	–	–	–
Intangible asset amortisation (net of tax)	24 073 130	–	–	33 816 761
Management bonus settlement (net of tax)	56 800 000	–	–	56 800 000
Core earnings	234 072 137	–	–	340 403 798
EPS (Cents)	26.30	–	–	33.61
HEPS (Cents)	26.30	–	–	33.61
Core EPS (Cents)	42.68	–	–	45.81
Weighted average number of shares	548 372 858	–	–	743 127 787

Notes:

1. Represents the profit forecast of Blue Label Group for the period ending 31 May 2008.
2. Represents the aggregated forecast financial results of other subsidiaries and associates of Blue Label Telecoms extracted from their respective forecasts for the year ended 31 May 2008 including:
 - 72% of Africa Prepaid Services
 - 100% of Blue Label One
 - 100% of Datacel
 - 100% of Cellfind
 - 100% of Virtual Voucher as a subsidiary, whereby it was previously accounted for as an associate
 - 100% of Gold Label
 - Additional 5% of Kwikpay
 - Additional 50% of Matragon.
3. Represents interest saving on interest bearing debt settled and interest earned on balance of cash raised from proceeds of private placement at R6.25 per share.
4. Represents the *pro forma* profit forecast of Blue Label Group on the assumption the Restructuring was effective 1 June 2007.
5. This represents an accounting adjustment for the discounting of purchases on credit to their present value in line with terms provided by trade creditors.
6. The principle assumptions to the profit forecast are set out in paragraph 23.1 of the Pre-Listing Statement.
7. All adjustments are expected to have a continuing effect on Blue Label Telecoms.

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE UNAUDITED PROFIT FORECAST OF THE BLUE LABEL GROUP

"The Directors
Blue Label Telecoms Limited
75 Grayston Drive
Morningside Ext. 5
Sandton
2057

22 October 2007

Dear Sirs

REPORT OF THE INDEPENDENT REPORTING ACCOUNTANTS ON THE UNAUDITED PROFIT FORECAST OF BLUE LABEL TELECOMS LIMITED

We have examined the profit forecast of Blue Label Telecoms Limited ("Blue Label Telecoms") for the period ending 31 May 2008 ("the Forecast") as set out in paragraph 23.1 and Annexure 8 of the pre-listing statement of Blue Label Telecoms to be dated on or about 26 October 2008 ("the Pre-listing Statement").

Directors' responsibility

The directors of Blue Label Telecoms are responsible for the Forecast, including the assumptions as set out in paragraph 23.1 of the Pre-listing Statement, on which it is based, and for the financial information from which it has been prepared.

Reporting accountants' responsibility

Our responsibility is to provide a limited assurance report on the Forecast. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements applicable to the *Examination of Prospective Financial Information and the Revised Guide on Forecasts* issued by The South African Institute of Chartered Accountants, except where otherwise indicated. This standard requires us to obtain sufficient appropriate evidence as to whether or not:

- management's best-estimate assumptions on which the Forecast is based are not unreasonable and are consistent with the purpose of the information;
- the Forecast is properly prepared on the basis of the assumptions;
- the Forecast is properly presented and all material assumptions are adequately disclosed; and
- the Forecast is prepared and presented on a basis consistent with the accounting policies of the company in question for the period concerned.

In a limited assurance engagement, the evidence – gathering procedures are more limited than for a reasonable assurance engagement and, therefore, less assurance is obtained than in a reasonable assurance engagement. We believe our evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Conclusion

Based on our examination of the evidence obtained, nothing has come to our attention that causes us to believe that:

- (i) the assumptions, barring unforeseen circumstances, do not provide a reasonable basis for the preparation of the Forecast;
- (ii) the Forecast has not been properly compiled on the basis stated;
- (iii) the Forecast has not been properly presented and all material assumptions are not adequately disclosed; and
- (iv) the Forecast is not presented on a basis consistent with the accounting policies of Blue Label Telecoms.

Actual results are likely to be different from the Forecast, since anticipated events frequently do not occur as expected and the variation may be material; accordingly no assurance is expressed regarding the achievability of the Forecast.

Yours faithfully

PricewaterhouseCoopers Inc
Director: PG McCrystal"

**INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE UNAUDITED
PRO FORMA PROFIT FORECAST OF THE BLUE LABEL GROUP**

"Blue Label Telecoms Limited
75 Grayston Drive
Morningside Ext. 5
Sandton
2057

22 October 2007

Dear Sirs

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE PRO FORMA
PROFIT FORECAST OF BLUE LABEL TELECOMS LIMITED**

The board of directors of Blue Label Telecoms Limited ("Blue Label Telecoms") has resolved to apply for a listing on the main board of the JSE Limited ("the Listing").

We have performed our limited assurance engagement in respect of the unaudited *pro forma* profit forecast ("the *pro forma* profit forecast") of Blue Label Telecoms set out in Annexure 8 of the pre-listing statement of Blue Label Telecoms, to be dated on or about 26 October 2007, ("the Pre-listing Statement") to be issued in connection with the Listing. The *pro forma* profit forecast has been prepared in accordance with the requirements of the JSE Limited ("JSE") Listing Requirements, for illustrative purposes only, to provide information about Blue Label Telecoms.

Directors' responsibility

The directors are responsible for the compilation, contents and presentation of the *pro forma* profit forecast contained in the Pre-listing Statement and for the financial information from which it has been prepared. Their responsibility includes determining that: the *pro forma* profit forecast has been properly compiled on the basis stated; the basis is consistent with the accounting policies of Blue Label; and the *pro forma* adjustments are appropriate for the purposes of the *pro forma* profit forecast disclosed in terms of the JSE Listings Requirements.

Reporting accountants' responsibility

Our responsibility is to express our limited assurance conclusion on the *pro forma* profit forecast included in the Pre-listing Statement. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements applicable to *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and the *Guide on Pro Forma Financial Information* issued by the South African Institute of Chartered Accountants.

This standard requires us to obtain sufficient appropriate evidence on which to base our conclusion.

We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the *pro forma* profit forecast beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Source of information and work performed

Our procedures consisted primarily of comparing the unadjusted financial information with the source documents, considering the *pro forma* adjustments in light of the accounting policies of Blue Label Telecoms, considering the evidence supporting the *pro forma* adjustments and discussing the adjusted *pro forma* profit forecast with the directors and management of the company.

In arriving at our conclusion, we have relied upon financial information prepared by the directors and management of Blue Label Telecoms and other information from various public, financial and industry sources.

While our work performed has involved an analysis of the historical and projected financial information and other information provided to us, our assurance engagement does not constitute an audit or review of any of the underlying

financial information conducted in accordance with *International Standards on Auditing* or *International Standards on Review Engagements* and accordingly, we do not express an audit or review opinion.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. We believe our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on our examination of the evidence obtained, nothing has come to our attention, which causes us to believe that:

- the *pro forma* profit forecast has not been properly compiled on the basis stated,
- such basis is inconsistent with the accounting policies of Blue Label Telecoms, and
- the adjustments are not appropriate for the purposes of the *pro forma* profit forecast as disclosed in terms of the section 8.17 and 8.30 of the JSE Listings Requirements.

Yours faithfully

PricewaterhouseCoopers Inc

Director: PG McCrystal"

PARTICULARS AND REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT OF THE BLUE LABEL GROUP

I. OTHER DIRECTORSHIPS HELD BY THE DIRECTORS OF BLUE LABEL TELECOMS AND ITS MATERIAL SUBSIDIARIES DURING THE PREVIOUS FIVE YEARS

NAME	DIRECTORSHIPS	STATUS
Laurence Michael Nestadt	Basfour 422 (Proprietary) Limited	Director
	BCE Foodservice Equipment (Proprietary) Limited	Director
	BCE Home and Catering Suppliers (Proprietary) Limited	Director
	Blora Properties (Proprietary) Limited	Director
	Global Capital (Proprietary) Limited	Director
	Global Managerial Services (Proprietary) Limited	Director
	H B J Aircraft Services (Proprietary) Limited	Director
	Investec Private Equity Management (Ireland) Limited	Director
	Melrose Motor Investments (Proprietary) Limited	Director
	Nestadt Brothers (Proprietary) Limited	Director
	Pacol Properties (Proprietary) Limited	Director
	Placo Aircraft Sales (Proprietary) Limited	Director
	Placo Holdings (Proprietary) Limited	Director
	Placo (Proprietary) Limited	Director
	Selldirect Cellular (Proprietary) Limited	Director
	Selldirect Insurance Brokers (Proprietary) Limited	Director
	Selldirect Solutions (Proprietary) Limited	Director
	Selldirect Marketing (Proprietary) Limited	Director
	Selldirect Mobile (Proprietary) Limited	Director
	Shoglo Management Services (Proprietary) Limited	Director
	Shuffleup Poker (Proprietary) Limited	Director
	Siyandisa Aviation Awareness (Proprietary) Limited	Director
	Swiss-Av (Proprietary) Limited	Director
	Yonbor Nominees (Proprietary) Limited	Director
	Erf 83 Melrose Estate (Proprietary) Limited	Director
	Angara Investments (Proprietary) Limited	Resigned
	Angara One Investments (Proprietary) Limited	Resigned
	Armour Systems and Projects (Proprietary) Limited	Resigned
	Capital Alliance Australia Holdings (Proprietary) Limited	Resigned
	Capital Alliance Holdings Limited	Resigned
Capital Alliance Life Limited	Resigned	
Rentmeester Versekerers Bpk	Resigned	
Saanbou Lewensversekerers Bk	Resigned	
SCAI Security Consultations and Advanced Implementations (Proprietary) Limited	Resigned	
Brett Marlon Levy	Blue Game Lodge (Proprietary) Limited	Director
	Blue Label Investments (Proprietary) Limited	Director
	Blue Label One (Proprietary) Limited	Director
	Blue Label Properties (Proprietary) Limited	Director
	BSC Technologies (Proprietary) Limited	Director
	Buddingtrade 1170 (Proprietary) Limited	Director
	Bunker Hills Investments 585 (Proprietary) Limited	Director
	Comm Express Services SA (Proprietary) Limited	Director
	Ellblue Properties (Proprietary) Limited	Director
	Friedshelf 649 (Proprietary) Limited	Director
Friedshelf 719 (Proprietary) Limited	Director	

NAME	DIRECTORSHIPS	STATUS
	Friedshelf 727 (Proprietary) Limited	Director
	Friedshelf 782 (Proprietary) Limited	Director
	Gold Label Investments (Proprietary) Limited	Director
	Iburst (Proprietary) Limited	Director
	Matragon (Proprietary) Limited	Director
	Matragon House (Proprietary) Limited	Director
	Micromatica 72 (Proprietary) Limited	Director
	Newsshelf 895 (Proprietary) Limited	Director
	PLL Investments (Proprietary) Limited	Director
	Premet Cellular (Proprietary) Limited	Director
	Prepaid TV and Utilities (Proprietary) Limited	Director
	Propalux 1081 (Proprietary) Limited	Director
	Sound Alive Technologies CC	Member
	Stylco (Proprietary) Limited	Director
	The Prepaid Company (Proprietary) Limited	Director
	Three Diamonds Trading 179 (Proprietary) Limited	Director
	WBS Holdings (Proprietary) Limited	Director
	Wireless Business Solutions (Proprietary) Limited	Director
	ZOK Cellular (Proprietary) Limited	Director
	Barm Installations CC	Member
	BSC Cellular CC	Member
	African Paradigm Communications (Proprietary) Limited	Resigned
	Autumn Star Trading 321 (Proprietary) Limited	Resigned
	Big 5 Cellular (Proprietary) Limited	Resigned
	Cellfind (Proprietary) Limited	Resigned
	Cellfind International (Proprietary) Limited	Resigned
	CES Manufacturing (Proprietary) Limited	Resigned
	C-Max Investments 65 (Proprietary) Limited	Resigned
	Ex-Cell Trix (Proprietary) Limited	Resigned
	Friedshelf 776 (Proprietary) Limited	Resigned
	Liquifire (Proprietary) Limited	Resigned
	Guys without Ties (Proprietary) Limited	Resigned
	IP Works (Proprietary) Limited	Resigned
	Iwsie Communications (Proprietary) Limited	Resigned
	Richmark Holdings (Proprietary) Limited	Resigned
	Snowy Owl Properties 40 (Proprietary) Limited	Resigned
	Vocall Cellular (Proprietary) Limited	Resigned
	The Forwardzone Sports Agency (Proprietary) Limited	Resigned
	Zamori 219 (Proprietary) Limited	Resigned
Mark Steven Levy	A Million Up Investments 37 (Proprietary) Limited	Director
	Blue Game Lodge (Proprietary) Limited	Director
	Blue Label Investments (Proprietary) Limited	Director
	Blue Label Marketing (Proprietary) Limited	Director
	Blue Label One (Proprietary) Limited	Director
	Blue Label Private Equity (Proprietary) Limited	Director
	Blue Label Properties (Proprietary) Limited	Director
	Blue Label Trading Company (Proprietary) Limited	Director
	Cellfind (Proprietary) Limited	Director
	Cellfind International (Proprietary) Limited	Director
	Datacel Direct (Proprietary) Limited	Director
	Fluxrab Investments No 125 (Proprietary) Limited	Director
	Friedshelf 756 (Proprietary) Limited	Director
	Friedshelf 776 (Proprietary) Limited	Director
	Friedshelf 781 (Proprietary) Limited	Director
	Friedshelf 782 (Proprietary) Limited	Director
	Furniture Ventures (Proprietary) Limited	Director

NAME	DIRECTORSHIPS	STATUS
	Garrin Trading (Proprietary) Limited	Director
	Gold Label Investments (Proprietary) Limited	Director
	House of Business Solutions (Proprietary) Limited	Director
	Khetha Media (Proprietary) Limited	Director
	Micromatica 72 (Proprietary) Limited	Director
	Newsshelf 739 (Proprietary) Limited	Director
	Newsshelf 895 (Proprietary) Limited	Director
	PLL Investments (Proprietary) Limited	Director
	Retail Ventures (Proprietary) Limited	Director
	SAFA Legal and Management (Proprietary) Limited	Director
	Snowy Owl Properties 40 (Proprietary) Limited	Director
	Sound Alive Technologies (Proprietary) Limited	Director
	Stanton Woodbrush (Proprietary) Limited	Director
	Three Diamonds Trading 179 (Proprietary) Limited	Director
	Triple Option Trading 61 (Proprietary) Limited	Director
	Wee Washie (Proprietary) Limited	Director
	ZOK Cellular (Proprietary) Limited	Director
	BSC Cellular CC	Member
	BSC Technologies CC	Member
	Africa Prepaid Services (Proprietary) Limited	Resigned
	Arengo 86 (Proprietary) Limited	Resigned
	BSC Technologies (Proprietary) Limited	Resigned
	Ellblue Properties (Proprietary) Limited	Resigned
	Giants Logistics (Proprietary) Limited	Resigned
	Holistic Technologies (Proprietary) Limited	Resigned
	House of Business Solutions Trading (Proprietary) Limited	Resigned
	IT Experts (Proprietary) Limited	Resigned
Mark Vivian Pamensky	Activi Development Services (Proprietary) Limited	Director
	Activi Technology Service (Proprietary) Limited	Director
	Africa Prepaid Services (Proprietary) Limited	Director
	Airtime Xpress (Proprietary) Limited	Director
	Any Pay Services (Proprietary) Limited	Director
	APS DRC (Proprietary) Limited	Director
	APS Moz (Proprietary) Limited	Director
	Big 5 Cellular (Proprietary) Limited	Director
	BIT Technologies (Proprietary) Limited	Director
	Blue Game Lodge (Proprietary) Limited	Director
	Blue Label Investments (Proprietary) Limited	Director
	Blue Label Marketing (Proprietary) Limited	Director
	Blue Label One (Proprietary) Limited	Director
	Blue Label Private Equity (Proprietary) Limited	Director
	Blue Label Properties (Proprietary) Limited	Director
	Blue Label Trading Company (Proprietary) Limited	Director
	Budding Trade (Proprietary) Limited	Director
	CES Manufacturing (Proprietary) Limited	Director
	CGS Financial Technologies (Proprietary) Limited	Director
	Cigicell (Proprietary) Limited	Director
	Coin IT (Proprietary) Limited	Director
	Comm Express Services SA (Proprietary) Limited	Director
	E Voucha (Proprietary) Limited	Director
	Ellblue Properties (Proprietary) Limited	Director
	Evertrade 34 (Proprietary) Limited	Director
	Friedshelf 649 (Proprietary) Limited	Director
	Friedshelf 663 (Proprietary) Limited	Director
	Friedshelf 669 (Proprietary) Limited	Director
	Friedshelf 719 (Proprietary) Limited	Director

NAME	DIRECTORSHIPS	STATUS
	Friedshelf 748 (Proprietary) Limited	Director
	Gold Label (Proprietary) Limited	Director
	IPO Investments (Proprietary) Limited	Director
	IT Experts (Proprietary) Limited	Director
	ITEX (Proprietary) Limited	Director
	Iveri (Proprietary) Limited	Director
	Ivory Tree (Proprietary) Limited	Director
	Jane Lanford Creations (Proprietary) Limited	Director
	Kwikpay SA (Proprietary) Limited	Director
	Kwikprop (Proprietary) Limited	Director
	Matragon (Proprietary) Limited	Director
	Matragon House (Proprietary) Limited	Director
	Matrix Investments No 4 (Proprietary) Limited	Director
	Mobile Services Company (Proprietary) Limited	Director
	Monique Investments (Proprietary) Limited	Director
	PLL Bridge Prop (Proprietary) Limited	Director
	PLL Investments (Proprietary) Limited	Director
	Polsa (Proprietary) Limited	Director
	Premet Cellular (Proprietary) Limited	Director
	Prepaid TV and Utilities (Proprietary) Limited	Director
	Sharedphone House (Proprietary) Limited	Director
	Sharedphone International (Proprietary) Limited	Director
	Terminal Deployment Centre (Proprietary) Limited	Director
	The Hub Pretalk (Proprietary) Limited	Director
	The Post Paid Company (Proprietary) Limited	Director
	The Prepaid Company (Proprietary) Limited	Director
	Thembela-ku (Proprietary) Limited	Director
	Themela-ku ticketing Solutions (Proprietary) Limited	Director
	Transaction Junction (Proprietary) Limited	Director
	Transaction Switching Company (Proprietary) Limited	Director
	Umusa Monetary Platform (Proprietary) Limited	Director
	VAS Prepaid Solutions (Proprietary) Limited	Director
	Ventury Group (Proprietary) Limited	Director
	Vitual Voucher (Proprietary) Limited	Director
	Yellow Star Trading (Proprietary) Limited	Director
	Zamori 219 (Proprietary) Limited	Director
	Contex Investments Holdings CC	Member
	Triple Option Trading 61 CC	Member
	Autumn Star Trading 321 (Proprietary) Limited	Resigned
	Circle Properties (Proprietary) Limited	Resigned
	C-Max Investments 65 (Proprietary) Limited	Resigned
	Datalinx Technologies (Proprietary) Limited	Resigned
	Garrin Trading (Proprietary) Limited	Resigned
	Transunion CGS (Proprietary) Limited	Resigned
David Bryan Rivkind	Blue Label Investments (Proprietary) Limited	Director
	C and C Discount Corporation (Proprietary) Limited	Director
	Better Brands (Proprietary) Limited	Resigned
	C-Max Investments 65 (Proprietary) Limited	Resigned
	Integr8 IT (Proprietary) Limited	Resigned
Sidney Ellerine	Boma Properties (Venda) (Proprietary) Limited	Director
	Barringer Investment (Proprietary) Limited	Director
	CentraTel (Proprietary) Limited	Director
	Citizen Admin Corporation (Proprietary) Limited	Director
	Citizens Corporation Limited	Director
	Ellerine Bros. (Proprietary) Limited	Director

NAME	DIRECTORSHIPS	STATUS
	Ellerine Properties (Kempton) (Proprietary) Limited	Director
	Eric Ellerine Family Holdings (Proprietary) Limited	Director
	Eric Ellerine Trust (Proprietary) Limited	Director
	Ellwain Investment (Proprietary) Limited	Director
	Insite Properties (Proprietary) Limited	Director
	Javelin Holdings (Proprietary) Limited	Director
	Lucysat Investments (Proprietary) Limited	Director
	Nirelle (Proprietary) Limited	Director
	The Prepaid Company (Proprietary) Limited	Director
	Sidney Ellerine Family Holdings (Proprietary) Limited	Director
	Shotput Investment (Proprietary) Limited	Director
	Stand 1276 Carltonville (Proprietary) Limited	Director
	Stuttafords Stores (Proprietary) Limited	Director
	SwissLab (Proprietary) Limited	Director
	Wireless Business Solutions (Proprietary) Limited	Director
Gary David Harlow	Ben Air (Proprietary) Limited	Director
	B W Mining (Proprietary) Limited	Director
	Cellfind (Proprietary) Limited	Director
	Cellfind International (Proprietary) Limited	Director
	Clidet No 390 (Proprietary) Limited	Director
	Copper Sunset Trading 148 (Proprietary) Limited	Director
	Decovo Investments Limited	Director
	Dupleix Liquid Meters Limited	Director
	Flaming Silver Trading 175 (Proprietary) Limited	Director
	Friedshelf 756 (Proprietary) Limited	Director
	Harlow Investments (Proprietary) Limited	Director
	HIX Technologies Limited	Director
	Leo Financial Management Services (Proprietary) Limited	Director
	Mandla Coal Resources (Proprietary) Limited	Director
	Masana Signs (Free State) (Proprietary) Limited	Director
	Mashala Hendrina Coal (Proprietary) Limited	Director
	Mashala Resources (Proprietary) Limited	Director
	Metermatic (Proprietary) Limited	Director
	Micawber 428 (Proprietary) Limited	Director
	Milner Discount Number Plates (Proprietary) Limited	Director
	Modirapula Printing Solutions (Proprietary) Limited	Director
	Moneyline 311 (Proprietary) Limited	Director
	Mobile at Work (Proprietary) Limited	Director
	Mowana Printing Solutions (Proprietary) Limited	Director
	Mr Sign (Proprietary) Limited	Director
	Namib Drilling (Proprietary) Limited	Director
	Northern Sentry Armed Response (Proprietary) Limited	Director
	NWC Management Consultants (Proprietary) Limited	Director
	Penumbra Coal Mining (Proprietary) Limited	Director
	Policy Property Holdings One (Proprietary) Limited	Director
	Policy Property Holdings Two (Proprietary) Limited	Director
	Puno Printing Solutions Investments (Proprietary) Limited	Director
	Somerset Finance and Investments (Proprietary) Limited	Director
	Thebe Financial Services Limited	Director
	Tri-Cor Number Plates and Signs (KwaZulu-Natal) (Proprietary) Limited	Director
	Unihold Africa (Proprietary) Limited	Director
	Unihold Communications Limited	Director
	Unihold Group Limited	Director
	Unihold Limited	Director
	Unihold Resources (Proprietary) Limited	Director
	Unihold Technologies (Proprietary) Limited	Director

NAME	DIRECTORSHIPS	STATUS
	Uniplate (Proprietary) Limited	Director
	United Reflective Converters (Proprietary) Limited	Director
	Wesselton Opencast (Proprietary) Limited	Director
	Gary Harlow Financial cc	Member
	Allied Production Industries (Proprietary) Limited	Resigned
	Cefurn Investments (Proprietary) Limited	Resigned
	Credex Finance (Proprietary) Limited	Resigned
	Duna Properties (Proprietary) Limited	Resigned
	Edusol (Proprietary) Limited	Resigned
	Emergent Management Company (Proprietary) Limited	Resigned
	Fersoe Property Development (Proprietary) Limited	Resigned
	ITQ (Proprietary) Limited	Resigned
	Jowima Properties (Proprietary) Limited	Resigned
	K Luff Plumbing Services (Proprietary) Limited	Resigned
	Knowledge Objects (Proprietary) Limited	Resigned
	Mayfair Speculators (Proprietary) Limited	Resigned
	Metallurgical Processes (Proprietary) Limited	Resigned
	Noble Capital Investments Limited	Resigned
	ObjectSCO (Proprietary) Limited	Resigned
	Plot 81 Zeekoegat (Proprietary) Limited	Resigned
	Primacote Industrial Painting Contractors (Proprietary) Limited	Resigned
	QD Group (Proprietary) Limited	Resigned
	Rely Precision Castings (Proprietary) Limited	Resigned
	Spectrum Outsource Solutions (Proprietary) Limited	Resigned
	The Number Plate Shop (Proprietary) Limited	Resigned
	Thembaletu Investment Holdings (Proprietary) Limited	Resigned
	Tomcat Software SA (Proprietary) Limited	Resigned
	Tri-Cor Industries (Proprietary) Limited	Resigned
	Tri-Cor Signs (Proprietary) Limited	Resigned
	Trillion International (Proprietary) Limited	Resigned
	Unihold Armed Response Holdings (Proprietary) Limited	Resigned
	Unihold Business Solutions (Proprietary) Limited	Resigned
	Unihold Engineering (Proprietary) Limited	Resigned
	Vespafrica (Proprietary) Limited	Resigned
	Volucres Financial Consultants (Proprietary) Limited	Resigned
	Walrind (Proprietary) Limited	Resigned
	Walro Flex (Proprietary) Limited	Resigned
Joe Mthimunye	Alert Pumpmor (Proprietary) Limited	Director
	Aloecap (Proprietary) Limited	Director
	Aloecap Corporate Advisors (Proprietary) Limited	Director
	Aloecap Investments 2 (Proprietary) Limited	Director
	Aloecap Private Equity Investments 1 (Proprietary) Limited	Director
	Aloecap Private Equity Investments 2 (Proprietary) Limited	Director
	Aloecap Private Equity Investments 4 (Proprietary) Limited	Director
	Aloecap Private Equity Investments 5 (Proprietary) Limited	Director
	Aloecap Technologies (Proprietary) Limited	Director
	Becker Electronics (Proprietary) Limited	Director
	Becker Engineering (Proprietary) Limited	Director
	Becker Mining Africa (Proprietary) Limited	Director
	Bellambie Mining and Industrial (Proprietary) Limited	Director
	Blue Label Investments (Proprietary) Limited	Director
	Edge to Edge 27 (Proprietary) Limited	Director
	Gobodo Investments Incorporated	Director
	Grapevine Property Investments 103 CC	Member
	Hatfield Holdings (Proprietary) Limited	Director
	Hatfield Ventures (Proprietary) Limited	Director

NAME	DIRECTORSHIPS	STATUS
	Hatven Centre (Proprietary) Limited	Director
	Hatven Commercial (Proprietary) Limited	Director
	Hatven Imports (Proprietary) Limited	Director
	Hatven Randburg (Proprietary) Limited	Director
	Ikapho Investments (Proprietary) Limited	Director
	Ikemeleng Holdings (Proprietary) Limited	Director
	Imirabho Investment Holdings (Proprietary) Limited	Director
	Imirabho Investments (Proprietary) Limited	Director
	Internet Filing (Proprietary) Limited	Director
	Walter Becker SA (Proprietary) Limited	Director
	Extra Dimensions 1067 CC	Member
	New Heights 101 (Proprietary) Limited	Resigned
	Prestasi Sureafrika Holdings (Proprietary) Limited	Resigned
	Africa's Best Holdings Limited	Resigned
	Atlas Balloon Company (Proprietary) Limited	Resigned
	Gobodo Forensic and Investigative Accounting (Proprietary) Limited	Resigned
	Gobodo Information Technology (Proprietary) Limited	Resigned
	Gobodo Management Services (Proprietary) Limited	Resigned
Reitumetse Jackie Huntley	Asande Investments (Proprietary) Limited	Director
	Baloyi Huntley Investments 2 (Proprietary) Limited	Director
	Baloyi Huntley Investments Shelf 4 (Proprietary) Limited	Director
	Baloyi Huntley Investments Shelf 5 (Proprietary) Limited	Director
	Baloyi Huntley Investments Shelf 6 (Proprietary) Limited	Director
	Blue label Investments (Proprietary) Limited	Director
	Elements Advertising and Marketing (Proprietary) Limited	Director
	Majestic Silver Trading 242 (Proprietary) Limited	Director
	Mkhabela Huntley Adekeye (Proprietary) Limited	Director
	Rorisang Basadi Investment Holdings (Proprietary) Limited	Director
	Sangena Advisory (Proprietary) Limited	Director
	Thulong Investments (Proprietary) Limited	Director
	The Petroleum Oil and Gas Corporation of South Africa (Proprietary) Limited	Director
	Yeoville Market Traders Organisation (Incorporated in terms of section 21 of the Companies Act)	Officer
	Air Traffic and Navigation Services Company (Proprietary) Limited	Resigned
	Constitution Hill Development Company (Proprietary) Limited	Resigned
	Greater Newtown Development Company (Proprietary) Limited	Resigned
	Hentiq 2209 (Proprietary) Limited	Resigned
	Inter Southern Power (Proprietary) Limited	Resigned
	Johannesburg Development Agency (Proprietary) Limited	Resigned
	Matemeku Investments (Proprietary) Limited	Resigned
	Matemeku Management and Logistics (Proprietary) Limited	Resigned
	Northern/Eastern and Western Cape Regional (Proprietary) Limited Equity Fund	Resigned
	Phezulu Risk Solutions (Proprietary) Limited	Resigned
	Rorisang Basadi Investment Holdings	Resigned
	Rural Housing Loan Fund (Incorporated in terms of section 21 of the Companies Act)	Resigned
	The Johannesburg Civic Theatre (Proprietary) Limited	Resigned
	The Trevor Huddleston cr Memorial Centre (Incorporated in terms of section 21 of the Companies Act)	Resigned
Herbert Cedrick Theledi	Afro-Educational Publishers (Proprietary) Limited	Director
	Afropulse 180 (Proprietary) Limited	Director
	Ama Casa Props 64 (Proprietary) Limited	Director
	Amalgamated Logistics (Proprietary) Limited	Director
	Amalgamated Logistics Limpopo (Proprietary) Limited	Director
	Amalgamated Logistics Mmabatho (Proprietary) Limited	Director
	Amalgamated Logistics Mpumalanga (Proprietary) Limited	Director

NAME	DIRECTORSHIPS	STATUS
	Blue Label Investments (Proprietary) Limited	Director
	Blue Label Properties (Proprietary) Limited	Director
	Chesswood Holdings 20 (Proprietary) Limited	Director
	Farmprops 61 (Proprietary) Limited	Director
	Farmprops 69 (Proprietary) Limited	Director
	Hollyberry Prop 53 (Proprietary) Limited	Director
	Itje Leswika Investment Holdings (Proprietary) Limited	Director
	Lefika Consulting (Proprietary) Limited	Director
	Lefika Emerging Equity (Proprietary) Limited	Director
	Lefika Facilities Management (Proprietary) Limited	Director
	Marble Gold 182 (Proprietary) Limited	Director
	Marwalakgomo Investments (Proprietary) Limited	Director
	Nthoese Developments (Proprietary) Limited	Director
	Nthwese Investment Holdings Consortium (Proprietary) Limited	Director
	Ntwese Developments (Proprietary) Limited	Director
	Ought to Invest 31 (Proprietary) Limited	Director
	R I K Properties (Proprietary) Limited	Director
	Real Afrika Investment Holdings (Proprietary) Limited	Director
	Sabie Toyota (Proprietary) Limited	Director
	Skyprops 117 (Proprietary) Limited	Director
	Sweet Sensation 65 (Proprietary) Limited	Director
	Thandathula Developments (Proprietary) Limited	Director
	Theledi Logistics (Proprietary) Limited	Director
	Top Coat Property Investments 15 (Proprietary) Limited	Director
	Twin City Bosbokrand (Proprietary) Limited	Director
	Xilati Investments Holding (Proprietary) Limited	Director
	Zink Investments 14 (Proprietary) Limited	Director
	Freedom Africa Papers (Proprietary) Limited	Director
	Br-Ijima Construction (Proprietary) Limited	Resigned
	Br-Tsima (Proprietary) Limited	Resigned
	Compnent Information Technology (Proprietary) Limited	Resigned
	Cream Magenta 261 (Proprietary) Limited	Resigned
	Double Ring Trading 222 (Proprietary) Limited	Resigned
	Edda Properties (Proprietary) Limited	Resigned
	Gijima Guards Afrika – Mpumalanga (Proprietary) Limited	Resigned
	Iningi Investments 73 (Proprietary) Limited	Resigned
	Intelento Trade 106 (Proprietary) Limited	Resigned
	Interstate Clearing 116 (Proprietary) Limited	Resigned
	Marumo Capital (Proprietary) Limited	Resigned
	Matiko Equipment Suppliers (Proprietary) Limited	Resigned
	Ntshovelo Technologies (Proprietary) Limited	Resigned
	Phatshima Investments (Proprietary) Limited	Resigned
	Sediba Secure Solutions (Proprietary) Limited	Resigned
	Sheerprops 100 (Proprietary) Limited	Resigned
	Task Finder Investments (Proprietary) Limited	Resigned
	Trirhani Salvage Management (Proprietary) Limited	Resigned
	Xilati Construction (Proprietary) Limited	Resigned
	Xilati Office Interiors (Proprietary) Limited	Resigned
Neil Lazarus	Blue Label Investments (Proprietary)Limited	Director
	Seardel Investment Corporation Limited	Director
	Corp Capital Life Limited	Director
	Corp Capital Limited	Director
	Conduit Risk and Insurance Holdings (Proprietary) Limited	Resigned
	Constantia Insurance Company Limited	Resigned
	Constantia Life and Health Assurance Company Limited	Resigned
	Mortgage SA (Proprietary) Limited	Resigned

2. CONTRACTS RELATING TO THE DIRECTORS REMUNERATION

Each of the executive Directors and the senior management of Blue Label Group have a standard service agreement with the Blue Label Group.

The material terms of the service agreements with the executive Directors are set out below:

Name	Position	Date of appointment to current role	Current total guaranteed cost to company package as at 1 November 2007	Bonus scheme	Notice period service agreement	Restraint
Brett Marlon Levy	Joint CEO	September 2007	4 800 000	5 760 000	3 year fixed	None
Mark Steven Levy	Joint CEO	September 2007	4 800 000	5 760 000	3 year fixed	None
Mark Vivian Pamensky	Chief Operating Officer	September 2007	3 500 000	2 450 000	3 year fixed	None
David Bryan Rivkind	Chief Financial Officer	September 2007	1 500 000	1 050 000	3 year fixed	None

The existing guaranteed cost to company remuneration package of the directors and senior management, as set out above, will be reviewed in line with those of a listed company by the remuneration committee and adjusted if necessary, if and when required.

The aggregate remuneration for all the Directors of Blue Label Telecoms for the financial year ended 31 May 2007 is set out in paragraph 17 "Management and Corporate Governance – Appointment, Qualification, Remuneration and Borrowing Powers of Directors". Set out below is a breakdown of the Directors' fees and remuneration paid to the Directors and former Directors of Blue Label Telecoms by the Blue Label Group for the financial year ended 31 May 2007:

Name	Basic Salary	Travel Allowance	Bonus	Management Bonus*	Fringe benefits	Provident fund contributions	Directors' fees	Consulting/ Legal fees
Brett Marlon Levy	8 141 906	420 000	6 980 879	6 980 879	46 763	320 000	–	–
Mark Steven Levy	5 305 417	420 000	6 980 879	6 980 879	238 316	301 034	–	–
Mark Vivian Pamensky	3 421 770	58 923	621 391	–	20 204	320 000	–	–
David Bryan Rivkind	860 628	36 000	499 855	–	–	151 135	–	–
Herbert Cedrick Theledi	473 717	–	–	–	–	–	–	–
Neil Norman Lazarus	–	–	–	–	–	–	–	1 253 803
Joe Mthimunye	–	–	–	–	–	–	45 000	–

* The management bonus has been cancelled in terms of the Management Bonus Settlement Agreement. Please refer to paragraph 20 for the details of the agreement.

None of the Blue Label Group companies have share options or share purchase plans.

There were no fees accrued or paid to a third party in lieu of directors' fees.

Additional information

None of Blue Label Group's Directors or senior management referred to in this Pre-Listing Statement:

- has been declared bankrupt or has entered into an individual voluntary compromise arrangement to surrender his or her estate;
- is or was a Director with an executive function of any company at the time of, or within twelve months preceding, any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any compromise or arrangement with the company's creditors generally or with any class of its creditors;
- is or has been a partner in a partnership at a time of, or within twelve months preceding, any compulsory sequestration, administration or voluntary arrangement of such partnership;
- is or has been a partner in a partnership at the time of, or within twelve months preceding, a receivership of any assets of such partnership;
- has had any of his or her assets subject to receivership;
- is or has been publicly criticised by any statutory or regulatory authorities, including recognised professional bodies or been disqualified by a court from acting as a Director of a company or from acting in the management or conduct of the affairs of any company; and
- is or has been convicted of any offence involving dishonesty.

DETAILS OF THE SUBSIDIARY COMPANIES AND THEIR DIRECTORS

I. OPERATING SUBSIDIARIES

Name and registration number	Date and place of incorporation and length of operational time	Issued ordinary share capital	Main business	Date of becoming subsidiary
1. The Prepaid Company (Proprietary) Limited 1999/016716/07	1999 South Africa 8 years	10 000 ordinary shares of R0.01 (one cent) each	Sale of Pre Paid Airtime	1 June 2001
2. e-Voucha (Proprietary) Limited 2006/025888/07	21 August 2006 South Africa 1 year	1 000 ordinary shares of R1.00 (one rand) each	Issue of stored value card and paper vouchers on behalf of insurance companies and corporates, for their clients, to be used in the retail environment	1 October 2006
3. Kwikpay SA (Proprietary) Limited 2004/030945/07	25 October 2004 South Africa 3 years	100 ordinary shares of R1,00 (one rand) each	Payment facilitation, administration and related activities	25 October 2004
4. Matragon (Proprietary) Limited 2002/005572/07	11 March 2002 South Africa 5 years	100 ordinary shares of R1.00 (one rand) each	Matragon is the holding company of Comm Express Services SA (Proprietary) Limited. Comm Express Services distributes airtime, related products and services.	30 April 2006
5. Virtual Voucher (Proprietary) Limited 2001/012971/07	20 June 2001 South Africa 6 years	200 ordinary shares of R1.00 (one rand) each	Transaction management of virtual products	On restructuring date
6. Africa Prepaid Services (Proprietary) Limited 2004/035253/07	13 December 2004 South Africa 3 years	120 ordinary shares of R1.00 (one rand) each	Holding company for its subsidiaries selling prepaid airtime and starter packs in Africa	13 December 2004
7. Cellfind (Proprietary) Limited 2003/020255/07	21 August 2003 South Africa 4 years	1 000 ordinary shares of R1.00 (one rand) each	Mobile Location Based Services	On restructuring date
8. Datacel (Proprietary) Limited 2004/029753/07	14 October 2004 South Africa 3 years	100 ordinary shares of R1.00 (one rand) each	Providing databases to call centres	On restructuring date
9. SharedPhone International (Proprietary) Limited 1998/023432/07	25 November 1998 South Africa 9 years	500 000 ordinary shares of R0.01 (one cent) each	Company is engaged in providing SIM based software solutions and VOIP services	1 May 2005
10. Palsa Holdings Limited 150630	22 July 2004 Cyprus 3 years	17 600 ordinary shares of Euro 1.00 (one Euro) each	Airtime distribution	1 February 2007
11. Ventury Group (Proprietary) Limited 1996/016921/07	29 November 1996 South Africa 10 years	2 000 ordinary shares of R1.00 (one rand) each	Investment holding company for subsidiaries selling prepaid airtime and transactional services	1 October 2004
12. The Post Paid Company (Proprietary) Limited 2004/021859/07	4 August 2004 South Africa 3 years	100 ordinary shares of R1.00 (one rand) each	Sale of cellular contracts	4 September 2004

Name and registration number	Date and place of incorporation and length of time during which business has been carried out	Issued ordinary share capital	Main business	Date of becoming subsidiary
13. Gold Label (Proprietary) Limited 2003/014792/07	27 June 2003 South Africa 4 years	1 000 ordinary shares of R1.00 (one rand) each	Investment Holding Company housing an Investment in Oxigen Services India Pvt Limited	23 June 2003
14. Blue Label One (Proprietary) Limited 2005/033903/07	22 September 2005 South Africa 2 years	300 ordinary shares at R1.00 (one rand) each	Group Technology Development	22 September 2005
15. Friedshelf 771 (Proprietary) Limited 2006/020927/07	5 July 2006 South Africa 1 year	300 ordinary shares at R1.00 (one rand) each	Investment Holding Company	1 April 2007
16. Blue Label Investments (Proprietary) Limited 2001/003778/07	21 February 2001 South Africa 6 years	1 200 000 ordinary shares of R0.01 (one cent) each	Investment Holding Company	

On the Listing Date, all of the above subsidiaries will be wholly owned by Blue Label Telecoms, other than the following subsidiaries and associates of Blue Label Telecoms:

- Ventury Group (Proprietary) Limited (90%)
- e-Voucha (Proprietary) Limited (51%)
- SharePhone International (Proprietary) Limited (50.1%), and
- Africa Prepaid Services (Proprietary) Limited (72%).

No person holds any rights enabling them to vary the voting rights of the shares in these subsidiaries other than the shareholders by way of amending the Articles of Association.

2. NON-OPERATING AND DORMANT SUBSIDIARIES

Name	Registration number
Matrix Investments No 4 (Proprietary) Limited	2003/016414/07
House of Business Solutions (Proprietary) Limited	2003/015576/07
Budding Trade (Proprietary) Limited	2001/012758/07

All of the above subsidiaries will be wholly owned by Blue Label Telecoms.

No person, other than the shareholders, holds any rights to enable such a person to vary the voting rights held in any subsidiary.

3. MATERIAL CHANGES TO THE BUSINESSES OF BLUE LABEL GROUP COMPANIES.

In the five years prior to the Listing Date there have been no material changes to the businesses of Blue Label Group companies.

4. ALTERATIONS TO SHARE CAPITAL OF BLUE LABEL GROUP COMPANIES.

In the three years prior to the Listing Date there have been no material changes to the share capital of Blue Label Group companies, save for those mentioned below:

- Virtual Voucher (Proprietary) Limited.
 - Issued 60 shares at par of R1.00 each in August 2005, *pro rata* to all existing shareholders
- SharedPhone International (Proprietary) Limited.
 - Issue of 490 000 shares at par of 1 cent each in April 2005, *pro rata* to all existing shareholders

The shares issued by Blue Label Telecoms in terms of the restructuring is summarised in paragraph 42. There has been no other issue of shares by any other Blue Label Group companies, apart from that mentioned above. None of the Blue Label Group subsidiaries had a share buy back or sub-division of its shares in the past 3 years.

5. DIRECTORS OF OPERATING SUBSIDIARIES

The Directors of Blue Label Telecoms' operating subsidiaries are set out in the table below:

Company	Directors
The Prepaid Company (Proprietary) Limited	B M Levy, S R Diamond, M V Pamensky, S Kaplan, D A Suntup, S Ellerine, G Prosser, T C Theledi
Cellfind (Proprietary) Limited	A T Knott-Craig, G H Varejes, M S Levy, G D Harlow, A Roussos
Blue Label Investments (Proprietary) Limited	J Mthimunye, B M Levy, M S Levy, D B Rivkind, H C Theledi, K Bodigelo, N N Lazarus, G D Harlow, R J Huntley, M V Pamensky
Matragon (Proprietary) Limited Gold Label (Proprietary) Limited	R A Bridle, P A Christofides, G P Templehoff, M V Pamensky, B M Levy B M Levy, M S Levy, M V Pamensky
Ventury Group (Proprietary) Limited	R Smuts-Steyn, Y Segal, M V Pamensky, S Diamond, G Varejes
Datacel (Proprietary) Limited	H L Prosser, L D Pogir, R Pogir, K Westwig
Matrix Investments (Proprietary) Limited	G Schultz, M V Pamensky
Kwikpay SA (Proprietary) Limited	M V Pamensky, R Noel, P Swart, C Smithers, B Smith
e-Voucha (Proprietary) Limited	V Horowitz, R Weimar, M Steiner, M V Pamensky, N Pillay, R Noel
SharedPhone International (Proprietary) Limited	P A Berry, M V Pamensky, W W Steyn, A F Botha
Virtual Voucher (Proprietary) Limited	K W Johannsen, P A Zuur, A J Erasmus, J A Roxburgh, A R Pitout, M V Pamensky
Africa Prepaid Services (Proprietary) Limited	G Shultz, A Mthembu, M V Pamensky, G Varejes
Blue Label One (Proprietary) Limited	A Roussos, D Fraser, B M Levy, M S Levy
Activi Technology Services (Proprietary) Limited	A Roussos, M V Pamensky, G Vermaas
Polsa Limited	B J Turkington, M V Pamensky, Y Alexandrou, C Argyridou, M Mita, J Nissiotoy, P Christofides

Further details of all the Directors and senior managers of Blue Label Telecoms are set out in Annexure 12 to this Pre-Listing Statement.

Other Directorships held by the Directors of material operating subsidiaries of Blue Label Telecoms during the previous five years, not already set out above or in Annexure 12 to this Pre-Listing Statement, are set out below:

Name of Director	Directorships	Status
S Diamond	Bunker Hills Investments 585 (Proprietary) Limited	Director
	C-max Investments 65 (Proprietary) Limited	Director
	The Prepaid Company (Proprietary) Limited	Director
	Ventury Group (Proprietary) Limited	Director
	Victory Agroteach (Proprietary) Limited	Director
	BSC Technologies CC	Member
	Tripple Option Trading 61 CC	Member
	Big 5 Cellular (Proprietary) Limited	Resigned
	Blue Label Investments (Proprietary) Limited	Resigned
	BSC Technologies (Proprietary) Limited	Resigned
	Eagle Creek Investments 340 (Proprietary) Limited	Resigned
	Mgm Cellular CC	Resigned

Name of Director	Directorships	Status
S Kaplan	Bunker Hills Investments 585 (Proprietary) Limited	Director
	The Prepaid Company (Proprietary) Limited	Director
	BSC Cellular CC	Member
	BSC Technologies CC	Member
	Tripple Option Trading 61 CC	Member
	Big 5 Cellular (Proprietary) Limited	Resigned
	Blue Label Investments (Proprietary) Limited	Resigned
	BSC Technologies (Proprietary) Limited	Resigned
	C-Max Investments 65 (Proprietary) Limited	Resigned
D Suntup	BSC Technologies (Proprietary) Limited	Director
	The Prepaid Company (Proprietary) Limited	Director
	The Post Paid Company (Proprietary) Limited	Resigned
G Prosser	The Prepaid Company (Proprietary) Limited	Director
	L P Management Services CC	Member
	Tripple Option Trading 61 CC	Member
	Nonstop Holdings (Proprietary) Limited	Officer
K Bodigelo	Blue Label Investments (Proprietary) Limited	Director
	Dikanego Logistic (Proprietary) Limited	Director
	Engineering Runoff Company (Proprietary) Limited	Director
	Global Roofing Solutions (Proprietary) Limited	Director
	Isago Capital (Proprietary) Limited	Director
	Mangkagi Investment Holdings (Proprietary) Limited	Director
	Maungo Investment Holdings (Proprietary) Limited	Director
	Ntshang Investment (Proprietary) Limited	Director
KMG Holdings (Proprietary) Limited	Resigned	

No partnerships were held by any of the Directors of the subsidiaries of Blue Label Telecoms during the past five years.

6. EXTRACTS OF ARTICLES OF ASSOCIATION

The Articles of Association of Blue Label Telecoms and its operating subsidiaries will, to the extent required by the JSE, comply with the Listings Requirements. The Articles of Association of Blue Label Telecoms and its subsidiary companies may be altered by special resolution.

Please refer to Annexures I5 and I6 for the extracts of Blue Label Telecoms and its subsidiaries' articles of association.

DETAILS OF PRINCIPAL IMMOVABLE PROPERTIES LEASED OR OWNED

Details of the principal immovable properties leased and owned by Blue Label Telecoms and its Subsidiaries are as follows:

PRINCIPAL PROPERTIES LEASED

Lessee	Lessor	Property type	Location/Area	Unexpired Term
The Prepaid Company (Proprietary) Limited	Blue Label Investments (Proprietary) Limited	Office building	75 Grayston Drive, Sandton	83 months
e-Voucha (Proprietary) Limited	Atlas Properties (Proprietary) Limited	Office building	53B, The Pathway Block 2, Wierda Road East	35 months
Kwikpay SA (Proprietary) Limited	Kwikprop Blue Label Investments (Proprietary) Limited	Office building	124 Edward Street, Oakdale	24 months
			75 Grayston Drive, Sandton	12 months
Matragon (Proprietary) Limited	Bordelo Properties Andre Fourie Trust Investec Joanick Properties (Proprietary) Limited Gensec Property Services Bowman Olivier	East London George Johannesburg Johannesburg Midrand Port Elizabeth		60 months
				9 months
				12 months
				1 month
				12 months
Africa Prepaid Services (Proprietary) Limited	Vodacom	Office Building	25 Setembro Avenue Time Square Building Block 3 Maputo Mozambique	Period not defined in lease
	Mr Guy Ngole	Commercial property	139 Kasa Vubu Avenue Bandalungwa Kingshasha	11 months
Datacel (Proprietary) Limited	Blue Label Investments (Proprietary) Limited	Office building	75 Grayston Drive, Sandton	9 months
SharedPhone International (Proprietary) Limited	SharedPhone House		67 Old Fort Road, Newlands 151 Camp Ground Road, Newlands	3 months
	SharedPhone House			5 months
Ventury Group (Proprietary) Limited	Hemino Santos Property Investments CC	Office building	2nd Floor, H Santos Building, 30 Arena Close	24 months

PRINCIPAL PROPERTIES OWNED

Owner	Description	Title Deed No.
Blue Label One (Proprietary) Limited	7 Villa Arezzio, Strathavon, Ext 43	ST12945/2007

DETAILS OF MATERIAL BORROWINGS AND MATERIAL LOANS

I. MATERIAL BORROWINGS OF THE BLUE LABEL GROUP

None of the companies in the Blue Label Group has convertible debt or debt with redemption rights.

All of the Blue Label Group debt arose in the ordinary course of business, in order to fund the operations or expansion of the Blue Label Group.

Blue Label Investments (Proprietary) Limited

Lender	Amount outstanding (R)	Interest rate	Security	Repayment terms	How repayment will be funded
Brett Marlon Levy	123 801 805	Prime + 2%	Unsecured	No fixed terms of repayment	To be settled with Blue Label Telecoms Shares in terms of the Restructuring
Mark Steven Levy	147 426 810	Prime + 2%	Unsecured	No fixed terms of repayment	To be settled with Blue Label Telecoms Shares in terms of the Restructuring
Selwyn Diamond	3 674 517	Prime + 2%	Unsecured	No fixed terms of repayment	To be settled with Blue Label Telecoms Shares in terms of the Restructuring
Public Investment Corporation	19 880 672	Prime + 2%	Unsecured	No fixed terms of repayment	To be settled with Blue Label Telecoms Shares in terms of the Restructuring
Nthwese Investments	36 888 889	Prime + 2%	Unsecured	No fixed terms of repayment	To be settled with Blue Label Telecoms Shares in terms of the Restructuring
Marapa Trust	2 755 887	Prime + 2%	Unsecured	No fixed terms of repayment	To be settled with Blue Label Telecoms Shares in terms of the Restructuring
Sean Kaplan	2 755 887	Prime + 2%	Unsecured	No fixed terms of repayment	To be settled with Blue Label Telecoms Shares in terms of the Restructuring
Investec Private Bank Limited	11 921 647	Prime + 2%	Unsecured	No fixed terms of repayment	To be settled with Blue Label Telecoms Shares in terms of the Restructuring

The Prepaid Company (Proprietary) Limited

Lender	Amount outstanding (R)	Interest rate	Security	Repayment terms	How repayment will be funded
Investec Private Bank Limited	20 261 049	Prime -1%	Secured by a cession and pledge of 50% of all shares in Matragon (Proprietary) Limited	Repayable in 38 equal monthly installments commencing 1 May 2006	To be settled with cash raised from the Listing
Investec Private Bank Limited	291 300 511	Prime -1%	Secured by a general notarial bond over inventories to the value of R105 million and a second notarial bond to the value of R95 million to be registered in due course.	No fixed terms of repayment	To be settled with cash raised from the Listing
Ellerine Bros. (Proprietary) Limited	90 200 000.00	Prime +2%	Unsecured	No fixed terms of repayment	To be settled with cash raised from the Listing
Investec Private Bank Limited	97 707 707	Prime -1%	Secured by a cession and pledge of cash deposits held with Investec Bank Limited to the total value of R100 million.	No fixed terms of repayment	Operating cash flow
Investec Private Bank Limited	147 174 294	Prime -1%	Secured by a cession of prepaid airtime inventory to the minimum value of R180 million.	No fixed terms of repayment	Operating cash flow

Matragon (Proprietary) Limited

Lender	Amount outstanding (R)	Interest rate	Security	Repayment terms	How repayment will be funded
MAPSC Family Trust	7 263 107.00	No interest	Unsecured	No fixed terms of repayment	To be settled with Blue Label Telecoms Shares in terms of the Restructuring
RAB Trust	8 363 642.00	No interest	Unsecured	No fixed terms of repayment	To be settled with Blue Label Telecoms Shares in terms of the Restructuring
PPJ Family Trust	2 057 632.00	No interest	Unsecured	No fixed terms of repayment	To be settled with Blue Label Telecoms Shares in terms of the Restructuring
DAB Trust	1 320 741	No interest	Unsecured	No fixed terms of repayment	To be settled with Blue Label Telecoms Shares in terms of the Restructuring
S Frank Family Trust	2 125 393.00	No interest	Unsecured	No fixed terms of repayment	To be settled with Blue Label Telecoms Shares in terms of the Restructuring
G Tempelhoff Family Trust	2 144 645.00	No interest	Unsecured	No fixed terms of repayment	To be settled with Blue Label Telecoms Shares in terms of the Restructuring

Africa Prepaid Services (Proprietary) Limited

Lender	Amount outstanding (R)	Interest rate	Security	Repayment terms	How repayment will be funded
Richmark Holdings	3 917 383	Prime + 2%	Unsecured	No fixed terms of repayment	To be settled with Blue Label Telecoms Shares in terms of the Restructuring
Imphandze Holdings	5 536 962.84	Prime + 2%	Unsecured	No fixed terms of repayment	To be settled with Blue Label Telecoms Shares in terms of the Restructuring

2. MATERIAL INTERCOMPANY LOANS IN THE BLUE LABEL GROUP

The list below shows all inter-group balances in the Blue Label Group:

Loan from The Prepaid Company (Pty) Limited:

Kwikpay (Pty) Limited	4 600 000
Blue Label One (Pty) Limited	5 021 535
Matragon (Pty) Limited	7 102 095
Transaction Junction (Pty) Limited	4 616 000
ITEX (Pty) Limited	6 883 277

Loan from Blue Label Investments (Pty) Limited:

House of Business Solutions (Pty) Limited	5 760 068
Gold Label Investments (Pty) Limited	22 357 871
The Prepaid Company (Pty) Limited	49 000 000
Africa Prepaid Services (Pty) Limited	6 732 660

Loan from/(to) Gold Label Investments (Pty) Limited:

Oxigen Services India Pvt Limited	18 687 762
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EXTRACTS FROM THE ARTICLES OF ASSOCIATION OF BLUE LABEL TELECOMS

The following is an unaltered extract from the Articles of Association of Blue Label Telecoms:

13. DIRECTORS

- 13.1** Until otherwise determined by a meeting of members, the number of directors shall not be less than 4 (four).
- 13.2** The directors shall have power at any time and from time to time to appoint any person as a director; either to fill a casual vacancy or as an addition to the board, but so that the total number of the directors shall not at any time exceed the maximum number fixed. Subject to the provisions of Article 16.2, any person appointed to fill a casual vacancy or as an addition to the board shall retain office only until the next following annual general meeting of the company and shall then retire and be eligible for re-election.
- 13.3** The appointment of a director shall take effect upon compliance with the requirements of the Statutes.
- 13.4** The shareholding qualification for directors and alternate directors may be fixed, and from time to time varied, by the company at any meeting of members and unless and until so fixed no qualification shall be required.
- 13.5** The remuneration of the executive directors shall from time to time be determined by in sub-committee by an appointed quorum of non-executive directors, when appropriate assisted by independent advisors. The remuneration of non-executive directors shall be approved by the company in general meeting.
- 13.6** The directors shall be paid all their travelling and other expenses properly and necessarily incurred by them in and about the business of the company, and in attending meetings of the directors or of committees thereof, and if any director shall be required to perform extra services or to go or to reside abroad or otherwise shall be specially occupied about the company's business, he shall be entitled to receive a remuneration to be fixed by a disinterested quorum of the directors which may be either in addition to or in substitution for the remuneration provided for in Article 13.5.
- 13.7** The continuing directors may act, notwithstanding any casual vacancy in their body, so long as there remain in office not less than the prescribed minimum number of directors duly qualified to act; but if the number falls below the prescribed minimum, the remaining directors shall not act except for the purpose of filling such vacancy or calling general meetings of shareholders.
- 13.8** A director shall cease to hold office as such:
- 13.8.1** if he becomes insolvent, or assigns his estate for the benefit of his creditors, or suspends payment or files a petition for the liquidation of his affairs, or compounds generally with his creditors; or
 - 13.8.2** if he becomes of unsound mind; or
 - 13.8.3** if (unless he is not required to hold a share qualification) he has not duly qualified himself within 2 (two) months of his appointment or if he ceases to hold the required number of shares to qualify him for office; or
 - 13.8.4** if he is absent from meetings of the directors for 6 (six) consecutive months without leave of the directors and is not represented at any such meetings during such 6 (six) consecutive months by an alternate director and the directors resolve that the office be vacated, provided that the directors shall have power to grant any director leave of absence for any or an indefinite period; or
 - 13.8.5** if he is removed under Article 13.16; or
 - 13.8.6** 1 (one) month or; with the permission of the directors earlier; after he has given notice in writing of his intention to resign; or
 - 13.8.7** if he shall pursuant to the provisions of the Statutes be disqualified or cease to hold office or be prohibited from acting as director.

- 13.9** The company and the directors shall comply with the provisions of the Statutes with regard to the disclosure of the interests of directors in contracts or proposed contracts; subject thereto, no director or intending director shall be disqualified by his office from contracting with the company, either with regard to such office or as vendor, purchaser or otherwise, nor shall any such contract or any contract or arrangement entered into by or on behalf of the company, in which any director shall be in any way interested, be or be liable to be avoided, nor shall any directors so contracting or being so interested be liable to account to the company for any profit realised by any such contract or arrangement by reason of such director holding that office or of the fiduciary relationship thereby established.
- 13.10** No director shall, as a director, vote in respect of any contract or arrangement in which he is so interested as aforesaid, and if he does so vote, his vote shall not be counted, nor shall he be counted for the purpose of any resolution regarding the same in the quorum present at the meeting, but these prohibitions shall not apply to:
- 13.10.1** any contract or dealing with a company or partnership or corporation of which the directors of the company or any of them may be directors, members, managers, officials or employees or otherwise interested;
 - 13.10.2** any contract by or on behalf of the company to give to the directors or any of them any security by way of indemnity or in respect of advances made by them or any of them;
 - 13.10.3** any contract to subscribe for or to underwrite or sub-underwrite any shares in or debentures or obligations of the company or any company in which the company may in any way be interested;
 - 13.10.4** any resolution to allot shares in or debentures or obligations of the company to any director of the company or to any matter arising out of or consequent upon any such resolution;
 - 13.10.5** any contract for the payment of commission in respect of the subscription for such shares, debentures or obligations.

The above prohibitions may at any time or times be suspended or relaxed to any extent by the company in general meeting.

- 13.11** A director, notwithstanding his interest, may be counted in the quorum present at any meeting whereat any other director is appointed to hold any office or place of profit under the company or whereat the terms of any such appointment are arranged, and he may vote on any such appointment or arrangement notwithstanding that at such meeting his own appointment or an arrangement in connection therewith is a matter before the board of directors.
- 13.12** Any general notice given to the directors of the company by a director to the effect that he is a member of a specified company or firm shall comply with the provisions of the Statutes.
- 13.13** For the purpose of this Article an alternate director shall not be deemed to be interested in any contract or arrangement merely because the director for whom he is an alternate is so interested.
- 13.14** Nothing in this Article contained shall be construed so as to prevent any director as a member from taking part in and voting upon all questions submitted to a general meeting whether or not such director shall be personally interested or concerned in such questions.
- 13.15** A director may be employed by or hold any office of profit under the company or under any subsidiary company in conjunction with the office of director, other than that of auditor of the company or of any subsidiary company, and upon such terms as to appointment, remuneration and otherwise as the directors may determine, and any remuneration so paid may be in addition to the remuneration payable in terms of Article 13.5 or 13.6: Provided that the appointment of a director in any other capacity in the company and his remuneration must be determined by a disinterested quorum of directors.
- 13.16** Subject to the provisions of the Statutes, a majority of directors may remove a director at a directors meeting before the expiration of his period of office and by an ordinary resolution elect another person in his stead. The person so elected shall hold office until the next following annual general meeting of the company and shall then retire and be eligible for re-election.

14. REGISTER AND SUB-REGISTER

- 14.1** The directors shall cause a register of members of the company to be maintained. The register of members shall be kept up to date by recording therein any change of particulars of any member forthwith after receipt of written notice from the member of such change.

- 14.2** The company shall cause to be entered into its register of members in respect of each of the holders of securities held in certificated form:
- 14.2.1** such holder's full names and address;
 - 14.2.2** a record of securities held with reference to the class of securities, amounts paid and the numbers of the certificates in respect thereof;
 - 14.2.3** the date(s) upon which the name of a person has been entered in the register as member; and
 - 14.2.4** the date upon which a person has ceased to be a member.
- 14.3** The company shall cause to be entered in its register of members in respect of every class of securities, the total number of securities held in uncertificated form.
- 14.4** Subject to the provisions of the Act, the company may request the participant concerned to furnish it with such details of uncertificated securities in the company as are reflected in the sub-register maintained by that participant.
- 14.5** A member who wishes to inspect a sub-register may do so only through the company in terms of section 113 of the Companies Act. On inspection, the company shall be required to cause the sub-register to be produced, which reflects at least the details referred to in sections 105 and 133 of the Companies Act.
- 14.6** Subject to such restrictions as may be prescribed by the directors from time to time, the register of members shall be available for inspection by the members.
- 14.7** With the exception of sub-registers, which shall not be closed for any period of time, if the company is not listed on the JSE, the register of members may, upon notice given by advertisement in the gazette, and such other notice in a local newspaper as the company may determine, be closed during such period as the company may determine not exceeding in the whole 60 (sixty) days in each year. If the company is listed on the JSE, the company shall comply with the JSE Listings Requirements in regard to the closing of the transfer books and register of members and any branch register.

15. ROTATION OF DIRECTORS

- 15.1** At the first annual general meeting all of the directors shall retire, and at the annual general meeting held in each year thereafter 1/3 (one-third) of the directors, or if their number is not a multiple of 3 (three), then the number nearest to, but not less than 1/3 (one-third) shall retire from office, provided that in determining the number of directors to retire no account shall be taken of any director who by reason of the provisions of Article 16.2 is not subject to retirement. The directors so to retire at each annual general meeting shall be firstly those retiring in terms of Article 13.2 and secondly those referred to in terms of Article 13.16 and lastly those who have been longest in office since their last election or appointment. As between directors of equal seniority, the directors to retire shall, in the absence of agreement, be selected from among them by lot: Provided that notwithstanding anything herein contained, if, at the date of any annual general meeting any director will have held office for a period of 3 (three) years since his last election or appointment he shall retire at such meeting, either as one of the directors to retire in pursuance of the foregoing or additionally thereto. A retiring director shall act as a director throughout the meeting at which he retires. The length of time a director has been in office shall, save in respect of directors appointed or elected in terms of the provisions of Articles 13.2 and 13.16, be computed from the date of his last election or appointment.
- 15.2** Retiring directors shall be eligible for re-election. No person other than a director retiring at the meeting shall, unless recommended by the directors for election, be eligible for election to the office of director at any general meeting unless, not less than 7 (seven) days nor more than 14 (fourteen) days before the day appointed for the meeting, there shall have been given to the company secretary notice in writing by some member duly qualified to be present and vote at the meeting for which such notice is given of the intention of such member to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.
- 15.3** Subject to Article 15.2 the company in general meeting may fill the vacated offices by electing a like number of persons to be directors and may fill any other vacancies. In electing directors the provisions of the Statutes shall be complied with.
- 15.4** If at any general meeting at which an election of directors ought to take place, the place of any retiring director is not filled, he shall if willing continue in office until the dissolution of the annual general meeting in the next year; and so on from year to year until his place is filled, unless it shall be determined at such meeting not to fill such vacancy.
- 15.5** For the purposes of this Article 15, "director" shall mean a non-executive director.

16. MANAGING DIRECTORS

- 16.1** The directors may from time to time appoint one or more of their number to be managing director or joint managing directors of the company or to be the holder of any other executive office in the company, including for the purposes of these Articles the offices of chairperson (subject to the JSE Listing Requirements) and may, subject to any contract between him or them and the company, from time to time terminate his or their appointment and appoint another or others in his or their place or places.
- 16.2** A managing director may be appointed by contract for a maximum period of 3 (three) years at any one time and he shall be subject to retirement by rotation and be taken into account in determining the rotation of retirement of directors, except during the period of any such contract. The managing director shall be eligible for reappointment at the expiry of any period of appointment. Subject to the terms of his contract, he shall be subject to the same provisions as to removal as the other directors and if he ceases to hold the office of director from any cause he shall *ipso facto* cease to be a managing director.
- 16.3** A director appointed in terms of the provisions of Article 16.1 to the office of managing director of the company, or to any other executive office in the company, may be paid in addition to the remuneration payable in terms of Article 13.5 or 13.6, such remuneration – not exceeding a reasonable maximum in each year – in respect of such office as may be determined by a disinterested quorum of the directors.
- 16.4** The directors may from time to time entrust and confer upon a managing director or other executive officer for the time being such of the powers and authorities vested in them as they think fit, and may confer such powers and authorities for such time and to be exercised for such objects and purposes and upon such terms and conditions and with such restrictions as they may think expedient and they may confer such powers and authorities either collaterally with, or to the exclusion of, and in substitution for, all or any of the powers and authorities of the directors in that behalf and may from time to time revoke, withdraw, alter or vary all or any of such powers and authorities. A managing director appointed pursuant to the provisions hereof shall not be regarded as an agent or delegate of the directors and, after powers have been conferred upon him by the directors in terms hereof, he shall be deemed to derive such powers directly from this Article.

17. PROCEEDINGS OF DIRECTORS

- 17.1** The directors may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit, and may determine the quorum necessary for the transaction of business. Until otherwise determined 5 (five) directors shall form a quorum. A director may at any time and the company secretary upon the request of a director shall convene a meeting of the directors. The directors may determine what period of notice shall be given of meetings of directors and may determine the medium of giving such notice which may include telephone, telegram, telex, e-mail (electronic mail) or telefax. A director who is not within the Republic shall not be entitled to notice of any such meeting, but notice shall be given to all duly appointed alternate directors who may at the time be within the Republic.
- 17.2** Questions arising at any meeting shall be decided by a majority of votes and in case of an equality of votes, the chairperson shall not have a second or casting vote.
- 17.3** The directors may elect a chairperson of their meetings and one or more deputy chairmen to preside in the absence of the chairperson, and may determine a period, not exceeding 1 (one) year, for which they are to hold office, but if no such chairperson or deputy chairperson is elected or if at any meeting neither the chairperson nor a deputy chairperson is present at the time appointed for holding the same, the directors shall choose one of their number to be chairperson of such meeting.
- 17.4** A meeting of the directors at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions by or under these Articles or the regulations of the company for the time being vested in or exercisable by the directors generally.
- 17.5** Subject to the Statutes -
- 17.5.1** a resolution in writing, signed by all the directors, including through the medium of telefax or other form of electronic transmission where the directors' consent thereto can be verified, shall be as valid and effectual as if it had been passed at a meeting of the directors duly called and constituted.
- 17.5.2** in the case of matters requiring urgent resolution or, if for any reason it is impracticable to meet or pass a resolution as contemplated in Article 17.1, proceedings may be conducted by utilising video conference or telephone conference facilities, provided that the required quorum is met. A resolution agreed to by a majority of the directors participating during the course of such proceedings shall be as valid and effectual as if it had been passed at a meeting of the directors duly called and constituted. The company secretary shall as soon as is reasonably possible after such meeting by video or telephone conference has been held, be notified thereof by the relevant parties to the meeting, and the company secretary shall prepare a written minute thereof.

- 17.6** Any resolution referred to in Article 17.5.1 may consist of several documents, each signed by one or more directors or their alternates in terms of these Articles.
- 17.7** Any resolution referred to in Article 17.5.1 shall be deemed (unless the contrary is stated therein) to have been passed on the date upon which it was signed by the last director or alternate required to sign it and where it states a date as being the date of its signature by any director or alternate that document shall be *prima facie* evidence that it was signed by that director or alternate on that date.

19. ALTERNATE DIRECTORS

- 19.1** Any director shall have the power to nominate another person approved by the board to act as alternate director in his place during his absence or inability to act as such director; and on such appointment being made, the alternate director shall, in all respects, be subject to the terms and conditions existing with reference to the other directors of the company. A person may be appointed as alternate to more than one director. Where a person is alternate to more than one director or where an alternate director is a director; he shall have a separate vote, on behalf of each director he is representing in addition to his own vote, if any, provided that the alternate director so acting will only be counted as one for purposes of establishing a quorum.
- 19.2** The alternate directors, whilst acting in the place of the directors who appointed them, shall exercise and discharge all the duties and functions of the directors they represent. The appointment of an alternate director shall cease on the happening of any event which, if he were a director; would cause him to cease to hold office in terms of these Articles or if the director who appointed him ceases to be a director; or gives notice to the company secretary of the company that the alternate director representing him shall have ceased to do so. An alternate director shall look to the director who appointed him for his remuneration.

20. POWERS OF DIRECTORS

- 20.1** The management of the company shall be vested in the directors who, in addition to the powers and authorities by these Articles expressly conferred upon them, may exercise all such powers, and do all such acts and things, as may be exercised or done by the company and are not hereby or by the Statutes expressly directed or required to be exercised or done by the company in general meeting (including without derogating from the generality of the foregoing or from the rights of the members, the power to resolve that the company be wound up), but subject nevertheless to such management and control not being inconsistent with these Articles or with any resolution passed at any general meeting of the members in accordance therewith; but no resolution passed by the company in general meeting shall invalidate any prior act of the directors which would have been valid if such resolution had not been passed. The general powers given by this Article shall not be limited or restricted by any special authority or power given to the directors by any other Article.
- 20.2** It is hereby declared pursuant to the provisions of the Statutes that although the directors shall have power to enter into a provisional contract for the sale or alienation of the undertaking of the company, or the whole or the greater part of the assets of the company, such provisional contract shall become binding on the company only in the event of the specific transaction proposed by the directors being approved by a resolution passed by the company in general meeting.
- 20.3** The directors shall have the power to delegate to any person or persons any of their powers and discretions and to give to any such person or persons power of sub-delegation.
- 20.4** Without in any way limiting or restricting the general powers of the directors to grant pensions, allowances, gratuities and bonuses to officers or ex-officers, employees or ex-employees of the company or the dependants of such persons, it is hereby expressly declared that the directors may from time to time without any further sanction or consent of the company in general meeting, but subject to the Statutes, grant pensions, gratuities or other allowances to any person or to the widow or dependants of any deceased person in respect of services rendered by him to the company as managing director, executive director, general manager or manager, or in any other office or employment under the company, notwithstanding that he may continue to be or be elected a director or may have been a director of the company, of such amounts, for such period, whether for life or for a definite period or for a period terminable on the happening of any contingency or event, and generally upon such terms and conditions as the directors in their discretion may from time to time think fit. For the purpose of this Article, the expression "executive director" shall mean a director appointed to an executive office in the company and receiving in addition to his fees as a director salary or remuneration for additional services whether under a service agreement or otherwise. The directors may authorise the payment of such donations by the company to such religious, charitable, public or other bodies, clubs, funds or associations or persons as may seem to them advisable or desirable in the discretion of the directors.

25. CAPITALISATION

Subject to the statutes, the company in general meeting or the directors may at any time and from time to time pass a resolution that it is expedient to capitalise any sum forming part of the undivided profits standing to the credit of the company's reserve fund, or any sum in the hands of the company and available for dividend, or any sum carried to reserves as the result of a sale or revaluation of the assets of the company or part thereof, or any sum received by way of premium on the issue of any shares, debentures or debenture stock of the company, and that any such sum or sums be set free for distribution and be appropriated to and amongst the members, either with or without deduction for income tax rateably, according to their rights and shareholdings in such manner as the resolution may direct, provided that no such distribution shall be made by the company unless recommended by the directors, and the directors shall, in accordance with such resolution, apply such sum or sums in paying up fully paid shares or debentures or debenture stock of the company and appropriate such shares, debentures or debenture stock to or distribute the same amongst the holders of such shares rateably according to their shareholding thereof respectively as aforesaid, or otherwise deal with such sum or sums as provided for in such resolution. Where any difficulty arises in respect of such distribution the directors may settle the same as they think expedient (but they may not issue fractional certificates and fractions which would otherwise have been distributed shall be consolidated and sold for the benefit of the members who would have been entitled to the fractions), fix the value for distribution of any fully paid shares, debentures or debenture stock, make cash payments to any holders of shares on the footing of the value so fixed in order to adjust rights, and vest any shares or assets in trustees upon such trusts for the persons entitled in the appropriation or distribution as may seem just and expedient to the directors. When deemed requisite a contract shall be entered into and filed in accordance with the Statutes, and the directors may appoint any person to sign such contract on behalf of the persons entitled in the appropriation or distribution, and such appointments shall be effective and the contract may provide for the acceptance by the holders of the shares to be allotted to them respectively in satisfaction of their claims in respect of the sum so capitalised. The directors shall be entitled to grant to the shareholders the right to elect to receive scrip dividends in lieu of cash dividends or a cash dividend in lieu of capitalisation or bonus shares.

32. WINDING UP

If the company shall be wound up, whether voluntarily or otherwise, the liquidator may with the sanction of a special resolution divide among the members *in specie* any part of the assets of the company, and may with the like sanction vest any part of the assets of the company in trustees upon such trusts for the benefit of the members as the liquidator with the like sanction shall think fit, whereafter the liquidation shall be finalised and the company dissolved, and if thought expedient any such division so sanctioned may be otherwise than in accordance with the legal rights of the members of the company, and in particular any class may be given preferential or special rights or may be excluded altogether or in part.

33. INDEMNITY

- 33.1** Every director, manager, company secretary and other officer or servant of the company shall be indemnified by the company against, and it shall be the duty of the directors out of the funds of the company to pay, all costs, losses and expenses which any such officer or servant may incur or become liable to by reason of any contract entered into or act or deed done by him as such officer or servant or in any way in the discharge of his duties including travelling expenses.
- 33.2** Subject to the provisions of the Statutes, no director, manager, company secretary or other officer or servant of the company shall be liable for the acts, receipts, neglects or defaults of any other director or officer or servant or for joining in any receipt or other act of conformity, or for loss or expense happening to the company through the insufficiency or deficiency of title to any property acquired by order of the directors for the company, or of any security in or upon which any of the moneys of the company shall be invested, or for any loss or damage arising from the bankruptcy, insolvency or delictual acts of any person with whom any moneys, securities or effects shall be deposited, or for any loss or damage occasioned by any error of judgment or oversight on his part, or for any other loss, damage or misfortune whatever which shall happen in the execution of the duties of his office, or in relation thereto, unless the same happen through his own negligence or dishonesty.

38. DIVIDENDS AND OTHER PAYMENTS TO MEMBERS

- 38.1** Subject to the provisions of the Statutes, the company may make payments to its members from time to time.
- 38.2** The company in general meeting (subject to obtaining the declaration of the directors referred to in Article 38.3) or the directors, with due regard to the sustainability of the business of the company as a going concern, may from time to time determine a dividend (provided that the company in general meeting may not declare a larger dividend than that declared by the directors) or other payment to be made to the members in such manner as the company in general meeting or the directors, as the case may be, may determine and direct at the time of declaration, including, without limiting the foregoing, that a payment shall be made by distribution of specific assets or in a specific currency (and if the latter the date of conversion of the currency in which the dividend or other payment is approved, into such other currencies). If any difficulty arises in regard to any payment, the directors may settle same as they consider appropriate.
- 38.3** The declaration of the directors as to whether –
- 38.3.1** the company is, or would be after the payment able to pay its debts as they become due in the ordinary course of business;
- 38.3.2** the consolidated assets of the company, fairly valued would, after the dividend or other payment, not be less than the consolidated liabilities of the company,
- shall be conclusive as regards the company in general meeting declaring a dividend or making any other payment to members.
- 38.4** Dividends are to be payable to shareholders registered as at a date subsequent to the date of declaration or date of confirmation of the dividend, whichever is the later. Dividends may be paid by crossed, not negotiable cheque or otherwise as the directors may from time to time determine, and shall either be sent by post to the last registered address of the member or person entitled thereto or given to him personally and reasonable proof of payment in terms hereof, will be sufficient proof of compliance by the company. The company shall not be responsible for the loss in transmission of any cheque or other document mailed to the registered address of any member, whether or not it was so sent at his request.
- 38.5** No notice of change of address or instructions as to payment given after the last day of trade for a dividend or other payment by the company in general meeting or the directors, shall become effective until after the dividend or other payment has been made, unless the company in general meeting or the directors so determine at the time the dividend or other payment is approved.
- 38.6** All unclaimed dividends or other payments to members as contemplated in this Article may be invested or otherwise be made use of by the directors for the benefit of the company until claimed, provided that any dividend remaining unclaimed for a period of not less than 3 (three) years from the date on which it became payable may be forfeited by resolution of the directors for the benefit of the company.
- 38.7** The company shall be entitled at any time to delegate its obligations to any member in respect of unclaimed dividends or other unclaimed payments to any one of the company's bankers from time to time.
- 38.8** Unless the Statutes or these Articles require a resolution to be passed by the company in general meeting to authorise the reduction by the company of its share capital, stated capital and any capital redemption reserve fund or any share premium account, the directors shall have the power, to the extent necessary, to resolve that the company reduce its share capital, stated capital and any capital redemption reserve fund or any share premium account, whether accompanied by a payment to members as contemplated in this Article 38, or without any payment to members.

EXTRACTS FROM THE ARTICLES OF ASSOCIATION OF BLUE LABEL GROUP SUBSIDIARIES

The following is an unaltered extract from the articles of association of Blue Label Group subsidiaries:

8. ALTERATION OF CAPITAL AND MEMORANDUM

- 8.1** The company may from time to time by special resolution:
- 8.1.1** increase its share capital by new shares of such amount, or increase the number of its shares having no par value, as it thinks expedient;
 - 8.1.2** increase its stated capital constituted by shares of no par value by transferring reserves or profits to the stated capital, with or without a distribution of shares;
 - 8.1.3** consolidate and divide all or any part of its share capital into shares of larger amount than its existing shares or consolidate and reduce the number of the issued no par value shares;
 - 8.1.4** increase the number of its issued no par value shares without an increase of its stated capital;
 - 8.1.5** subdivide its shares, or any of them, into shares of smaller amount than is fixed by the Memorandum;
 - 8.1.6** convert all of its ordinary or preference share capital consisting of shares having a par value into stated capital constituted by shares of no par value;
 - 8.1.7** convert its stated capital constituted either by ordinary or preference shares of no par value into share capital consisting of shares having a par value;
 - 8.1.8** cancel shares which at the time of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person and diminish the amount of its authorised share capital by the amount of the shares so cancelled or may cancel shares of no par value which have not so been taken or agreed to be taken;
 - 8.1.9** alter the provisions of its Memorandum with respect to the objects and powers of the company;
 - 8.1.10** convert any shares in the capital of the company to shares of a different class and in particular (but without derogating from the generality of the foregoing) convert ordinary shares or preference shares to redeemable preference shares.
- 8.2** Subject to any directions to the contrary that may be given by the resolution increasing the share capital or that may be contained in any authority conferred by the company in general meeting, any original shares for the time being unissued and any new shares from time to time created shall before issue be offered to the holders of shares of the class to be issued in proportion, as nearly as the circumstances admit, to the amount of the existing shares of that class held by them, unless issued for the acquisition of assets or otherwise empowered by a general meeting of members. The *pro rata* offer to members shall be made by notice specifying the number of shares offered, and specifying a time (which shall not be less than 14 (fourteen) days) when the offer, if not accepted, will be deemed to be declined. The provisions of these Articles or any written agreement in force between the members with regard to the sale or other disposal, transfer and transmission of shares shall apply *mutatis mutandis* to any such offer. After the expiration of the time within which an offer may be accepted, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the directors may, subject to the foregoing provisions, dispose of such shares in such manner as they think most beneficial to the company. The directors may in like manner dispose of any such new or original shares as aforesaid which by reason of the ratio which such shares bear to shares held by persons entitled to such offer as aforesaid or by reason of any other difficulty in apportioning such shares cannot, in the opinion of the directors, be conveniently offered in the manner hereinbefore provided.

12. DIRECTORS

- 12.1** Until otherwise determined by a meeting of members, the number of directors shall be not less than 12.
- 12.2** The company may from time to time at any meeting of members increase or reduce the number of directors.

- 12.3** Unless otherwise decided by a meeting of members any vacancy occurring in the board of directors may be filled by the directors but any appointment so made shall be subject to confirmation at the next annual general meeting of the company.
- 12.4** Any nomination for the appointment of a director must reach the company within 28 (twenty eight) days before the date of an annual general meeting.
- 12.5** The company at a meeting of members or the directors shall have power at any time, and from time to time, to appoint any person as a director but so that the total number of directors shall not at any time exceed the maximum number which may be fixed by or in terms of these Articles. Any appointment so made shall, however, be subject to confirmation at the next annual general meeting of the company.

13. REGISTER AND SUB-REGISTER

- 13.1** The directors shall cause a register of members of the company to be maintained. The register of members shall be kept up to date by recording therein any change of particulars of any member forthwith after receipt of written notice from the member of such change.
- 13.2** The company shall cause to be entered into its register of members in respect of each of the holders of securities held in certificated form:
- 13.2.1** such holder's full names and address;
 - 13.2.2** a record of securities held with reference to the class of securities, amounts paid and the numbers of the certificates in respect thereof;
 - 13.2.3** the date(s) upon which the name of a person has been entered in the register as member; and
 - 13.2.4** the date upon which a person has ceased to be a member.
- 13.3** The company shall cause to be entered in its register of members in respect of every class of securities, the total number of securities held in uncertificated form.
- 13.4** Subject to the provisions of the Act, the company may request the participant concerned to furnish it with such details of uncertificated securities in the company as are reflected in the sub-register maintained by that participant.
- 13.5** A member who wishes to inspect a sub-register may do so only through the company in terms of section 113 of the Companies Act. On inspection, the company shall be required to cause the sub-register to be produced, which reflects at least the details referred to in sections 105 and 133 of the Companies Act.
- 13.6** Subject to such restrictions as may be prescribed by the directors from time to time, the register of members shall be available for inspection by the members during office hours.

14. QUALIFICATION OF DIRECTORS

The shareholding qualification for directors and alternate directors may be fixed, and from time to time varied, by the company at any meeting of members and unless and until so fixed no qualification shall be required.

15. REMUNERATION OF DIRECTORS

- 15.1** The remuneration of the directors shall from time to time be determined by the company in general meeting. Such remuneration shall be deemed to accrue from day to day. The directors may also be paid all travelling, hotel and other expenses properly incurred by them in or about the performance of their duties as directors including those of attending and travelling to and from meetings of the directors or any committee of the directors or at any meeting of members of the company.
- 15.2** The directors may pay any director who serves on any committee or who devotes special attention to the business of the company, or otherwise performs services which in the opinion of the directors are outside the scope of the ordinary duties of a director, such extra remuneration by way of salary, commission, percentage of profits or by any or all of these modes or otherwise as they may determine: provided that such remuneration is determined by a disinterested quorum (except in the case of a wholly owned subsidiary company) of directors.

16. ALTERNATE AND ASSOCIATE DIRECTORS

- 16.1** Any director shall have the power to nominate another person to act as alternate director in his place during his absence or inability to act as such director; and on such appointment being made, the alternate director shall, in all respects, be subject to the terms and conditions existing with reference to the other directors of the company. A person may be appointed as alternate to more than 1 (one) director. Where a person is alternate to more than 1 (one) director or where an alternate director is a director, he shall have a separate vote, on behalf of each director he is representing in addition to his own vote, if any.
- 16.2** The alternate directors, whilst acting in the place of the directors who appointed them, shall exercise and discharge all the duties and functions of the directors they represent. The appointment of an alternate director shall cease on the happening of any event which, if he were a director, would cause him to cease to hold office in terms of these Articles or if the director who appointed him ceases to be a director, or gives notice to the secretary of the company that the alternate director representing him shall have ceased to do so. An alternate director shall look to the director who appointed him for his remuneration.
- 16.3** The directors may from time to time appoint any person to be an associate director and may from time to time cancel any such appointment. The directors may fix, determine and vary the powers, duties and remuneration of any person so appointed but a person so appointed shall not be required to hold any shares to qualify him for appointment or have any right to attend or vote at any meeting of directors except by the invitation and with the consent of all the directors.

17. BORROWING POWERS OF DIRECTORS

- 17.1** The directors may in their discretion, from time to time, raise or borrow from the members or other persons any sums of money for the purposes of the company subject to such limitations as may be imposed from time to time by its holding company.
- 17.2** The directors may secure the payment or repayment of any sums of money borrowed or raised in terms of Article 17.1 or the payment of any debt, liability or obligation whatsoever of the company or of a third party, in such manner and upon such terms and conditions in all respects as they think fit, and in particular by the execution of bonds or the issue of debentures or debenture stock of the company charged upon all or any part of the property and rights of the company, both present and future, including its uncalled capital.

18. GENERAL POWERS AND DUTIES OF DIRECTORS

- 18.1** The business of the company shall be managed by the directors who may pay all expenses incurred in setting up and registering the company, and may exercise all such powers of the company as are not by the Statutes or by these Articles required to be exercised by the company at any meeting of members (including without derogating from the generality of the foregoing or from the rights of the members, the power to resolve that the company be wound up), subject nevertheless to the provisions of these Articles and of the Statutes and to such regulations being not inconsistent with these Articles or the Statutes, as may be prescribed by the company at any such meeting; but no regulation made by the company at such meeting shall invalidate any prior act of the directors which would have been valid if that regulation had not been made.
- 18.2** The directors may from time to time appoint one or more of their body (provided always that the number of directors so appointed as managing director or joint managing directors and/or the holders of any other executive office including a chairperson who holds an executive office but not a chairperson who is a non-executive director shall at all times be less than one-half (?) of the number of directors in office) to the office of managing director or manager for such period and at such remuneration (whether by way of salary or commission, or participation in profits or partly in one way and partly in another) and generally on such terms as they may think fit: Provided that notwithstanding anything to the contrary in these Articles, the remuneration of any such managing director may be determined only at a meeting at which there is a disinterested quorum (except in the case of a wholly owned subsidiary company) and provided further that the maximum period for which a managing director may be appointed by contract shall be 5 (five) years at any one time. It may be made a term of his appointment that he be paid a pension, gratuity or other benefit on his retirement from office. The appointment of a managing director or manager shall terminate *ipso facto* if he shall cease for any reason to be a director; or if the company at any meeting of members shall resolve that his tenure of the office of managing director or manager be terminated.

- 18.3** The directors may from time to time entrust to and confer upon a managing director or manager for the time being such of the powers vested in them as they may think fit, and may confer such powers for such time and to be exercised for such objects and upon such terms and with such restrictions as they may think expedient; and they may confer such powers either collaterally or to the exclusion of, and in substitution for, all or any of the powers of the directors, and may from time to time revoke or vary all or any of such powers. A managing director appointed pursuant to the provisions hereof shall not be regarded as an agent or delegate of the directors and after powers have been conferred upon him by the directors in terms hereof he shall be deemed to derive such powers directly from this Article.
- 18.4** The directors shall have the power from time to time to delegate or allocate to any one of their members or to any other person, whether in the Republic or not, such of the powers as are vested in the directors pursuant to the Statutes or under these Articles, as they may deem fit.
- 18.5** The directors may delegate or allocate any of their powers to committees consisting of such member or members of their body as they think fit; any committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may be imposed on it by the directors. Save as aforesaid, the meetings and proceedings of a committee consisting of more than 1 (one) member shall be governed by the provisions of these Articles regulating the meetings and proceedings of directors.
- 18.6** The directors may -
- 18.6.1** establish and maintain any non-contributory or contributory pension, superannuation, provident and benefit funds for the benefit of; and
- 18.6.1** give pensions, gratuities and allowances to and make payments for or towards the insurance of any persons who are employees or ex-employees (including directors or ex-directors) of the company, or of any company which is or was a subsidiary of the company or is or was in any way allied to or associated with it or any such subsidiary, and the wives, widows, families and dependants of such persons.

19. DISQUALIFICATION AND PRIVILEGES OF DIRECTORS

- 19.1** A director shall cease to hold office as such if:
- 19.1.1** he ceases to be a director by virtue of any of the provisions of the Statutes or becomes prohibited from being a director by reason of any order made under the Statutes; or
- 19.1.2** his estate is sequestrated or he files a petition for the surrender of his estate or an application for an administration order; or if he commits an act of insolvency as defined in the insolvency law for the time being in force or if he makes any arrangement or composition with his creditors generally; or
- 19.1.3** he is found lunatic or becomes of unsound mind; or
- 19.1.4** he is removed by a resolution of the company as provided in the Statutes; or
- 19.1.5** he resigns his office by notice in writing to the company; or
- 19.1.6** a notice removing him from office is signed by members having a right to attend and vote at a meeting of members who hold not less than 51% (fifty one per cent) of the total voting rights of all the members who are at that time entitled so to attend and vote and is delivered to the company or lodged at its registered office; or
- 19.1.7** he is otherwise removed in accordance with any provisions of these Articles.
- 19.2** A director of the company may be or become a director of any subsidiary or other company promoted by the company or in which it may be interested as vendor, member or otherwise, or may represent the company in the management of any business or operations or concern in which the company may be interested as partner or otherwise or may be employed by the company in any capacity or may accept a retainer from the company in consideration for which he agrees to give his services to the company in any special capacity when called upon by the company to do so, and no such director shall be accountable to the company for any remuneration or other benefits received by him as a director or member of such company or representative of the company in such management or in any employment or retention of his services by the company. The directors may exercise the voting power conferred by the shares in any such other company held or owned by the company, or exercisable by them as directors of such other company, in such manner in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of them directors or other officers of such company) and any director may vote in favour of the exercise of such voting rights in manner aforesaid, notwithstanding that he may be, or be about to be, appointed a director or other officer of such company and as such is or may become interested in the exercise of such voting rights in manner aforesaid.

19.3 No director or intending director shall be disqualified by his office from contracting with the company in any manner whatsoever and in particular as:

19.3.1 an underwriter of any shares or securities; or

19.3.2 a guarantor of any liability

of the company, or of any company in which the company may be interested, for a commission or profit, nor shall any such contract or arrangement entered into by or on behalf of the company in which any director shall be in any way interested, nor any contract or agreement entered into with any company or partnership of or in which any director shall be a member, director or partner or otherwise interested, be invalidated or voided by any such reason or by reason of the board of directors of the company not constituting an independent quorum, nor shall any director so contracting or being so interested or acquiring any benefit under any contract or arrangement made or entered into by or on behalf of any person, company or partnership in relation to the affairs of the company be liable to account to the company for any profits or benefits realised by or under such contract or arrangement by reason of such director holding that office or by reason of the fiduciary relationship thereby established. Any director so interested or acquiring any benefit shall disclose the fact of his possessing any interest and full particulars thereof, be it as director or member or otherwise, whether or not it appears on the face of the contract or arrangement, in accordance with the provisions of the Statutes.

A general notice in writing given to the directors by a director to the effect that he is a member of a specified company or firm and is to be regarded as interested in any contract which may, after the date of the notice, be made with that company or firm, shall be deemed to be a sufficient disclosure in relation to any contract or proposed contract so made or to be made.

19.4 Without detracting from the generality of Article 19.3:

19.4.1 a director may hold any other office or place of profit in the company, other than that of auditor, in conjunction with his directorship, and may be appointed thereto upon such terms as to remuneration, tenure of office and otherwise as may be arranged by a disinterested quorum (except in the case of a wholly owned subsidiary company) of directors. A director may, notwithstanding his interest, be counted in the quorum present at any meeting at which he or any other director is so employed or appointed to hold any such office of profit or at which the terms of such appointment are arranged and he may vote on such employment or appointment or arrangement other than his own appointment or employment or the arrangement of the terms thereof;

19.4.2 a director may himself act or any firm of which he is a member may act in a professional capacity for the company, and he or his firm shall be entitled to remuneration for those professional services as if he were not a director;

provided that nothing herein contained shall authorise a director or his firm to act as auditor of the company.

20. PROCEEDINGS OF DIRECTORS

20.1 A director may, and the secretary on the requisition of a director shall, at any time summon a meeting of the directors.

20.2 The directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit.

20.3 Unless otherwise resolved by the directors, all their meetings shall be held in the city or town where the company's registered office is for the time being situated.

20.4 Questions arising at any meeting of directors shall be decided by a majority of votes.

20.5 In the case of an equality of votes the chairperson shall have a second or casting vote, provided that if at any time the quorum is 2 (two) and only 2 (two) directors are present at a meeting the chairperson shall not have a casting vote.

20.6 The directors may determine what period of notice shall be given of meetings of directors and may determine the means of giving such notice which may include telephone, telegram, telex, e-mail or telefax. It shall not be necessary to give notice of a meeting of directors to any director for the time being absent from the Republic, but notice of any such meeting shall be given to his alternate, if he has appointed one, provided that such alternate is in the Republic.

- 20.7** A quorum at meetings of directors shall consist of, if the number of directors is one, that director and in all other cases, 2 (two) directors, 1 (one) of whom shall be appointed by the holding company. For the purpose hereof a director who has authorised another director to vote for him at a meeting in terms of Article 20.11 shall, if the director so authorised is present at the meeting, be deemed to be present himself and each director whose alternate is present at a meeting (even if the latter is alternate to more than 1 (one) director) shall be deemed to be so present.
- 20.8** The continuing directors (or sole continuing director) may act notwithstanding any vacancy in their body, but, if and so long as their number is reduced below the number fixed by or pursuant to these Articles as a quorum, the continuing directors or director may act only for the purpose of summoning a general meeting of the company. If there are no directors or director able and willing to act, and no specific provision is made in these Articles for the appointment of directors, then any 2 (two) members may summon a general meeting for the purpose of appointing directors.
- 20.9** A resolution in writing, including through the medium of telefax, signed by a majority of the directors present in the Republic when the resolution in question is signed by the first of such directors and being not less than are sufficient to form a quorum and also completing a majority of the directors then in office, shall be as valid and effectual as if it had been passed at a meeting of the directors duly called and constituted: Provided that where a director is not present in the Republic, but has an alternate who is, the resolution must be signed by that alternate.
- 20.10** In the case of matters requiring urgent resolution or, if for any reason it is impracticable to meet as contemplated in Article 20.3 or pass a resolution as contemplated in Article 20.9, proceedings may be conducted by utilising video conference or telephone conference facilities, provided that the required quorum is met. A resolution agreed to by a majority of the directors participating during the course of such proceedings shall be as valid and effectual as if it had been passed at a meeting of the directors duly called and constituted. The secretary of the company shall as soon as is reasonably possible after such meeting by video conference or telephone has been held, be notified thereof by the relevant parties to the meeting, and the secretary shall prepare a written minute thereof.
- 20.11** A director unable to attend a directors' meeting may authorise any other director to vote for him at that meeting, and in that event the director so authorised shall have a vote for each director by whom he is so authorised in addition to his own vote. If both the director so authorised and an alternate of the director who granted the authority are present at the meeting, the alternate shall not be entitled to vote on behalf of the absent director. Authority in terms of this Article must be in writing (which may take the form of a telegram, cable or telex) and must be handed to the person presiding at the meeting at which it is to be used.
- 20.12** The directors may elect a chairperson of their meetings and determine the period for which he is to hold office; but if no such chairperson is elected, or if at any meeting the chairperson is not present within fifteen minutes after the time appointed for holding it, the directors present may choose one of their number to be chairperson of the meeting.

21. VALIDITY OF ACTS OF DIRECTORS AND COMMITTEES

As regards all persons dealing in good faith with the company, all acts done by any meeting of the directors or of a committee of directors, or by any person acting as a director, shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment or continuance in office of any such directors or persons acting as aforesaid, or that they or any of them were disqualified or had ceased to hold office or were not entitled to vote, be as valid as if every such person had been duly appointed or was qualified or had continued to be a director or was entitled to vote, as the case may be.

22. DIVIDENDS AND OTHER PAYMENTS TO MEMBERS

- 22.1** The company may make payments to its members from time to time.
- 22.2** The company in general meeting (subject to obtaining the declaration of the directors referred to in Article 22.3) or the directors may from time to time determine a dividend (provided that the company in general meeting may not declare a dividend larger than that declared by the directors) or other payment to be made to the members in such manner as the company in general meeting or the directors, as the case may be, may determine and direct at the time of declaration, including, without limiting the foregoing, that a payment shall be made by distribution of specific assets or in a specific currency (and if the latter the date of conversion of the currency in which the dividend or other payment is approved, into such other currencies). If any difficulty arises in regard to any payment the directors may settle same as they consider appropriate. A period of 15 (fifteen) days at least shall be allowed between the date of declaration or confirmation of any dividend, whichever is the later, and the record date in respect of such dividend.

- 22.3** The declaration of the directors as to whether:
- 22.3.1** the company is, or would be after the payment able to pay its debts as they become due in the ordinary course of business;
 - 22.3.2** the consolidated assets of the company, fairly valued would, after the dividend or other payment, not be less than the consolidated liabilities of the company,
- shall be conclusive as regards the company in general meeting declaring a dividend or making any other payment to members.
- 22.4** Dividends may be paid by crossed, not negotiable cheque or otherwise as the directors may from time to time determine, and shall either be sent by post to the last registered address of the member or person entitled thereto or given to him personally and reasonable proof of payment in terms hereof, will be sufficient proof of compliance by the company. The company shall not be responsible for the loss in transmission of any cheque or other document mailed to the registered address of any member, whether or not it was so sent at his request.
- 22.5** No notice of change of address or instructions as to payment given after the last day of trade for of a dividend or other payment by the company in general meeting or the directors, shall become effective until after the dividend or other payment has been made, unless the company in general meeting or the directors so determine at the time the dividend or other payment is approved.
- 22.6** All unclaimed dividends or other payments to members as contemplated in this Article may be invested or otherwise be made use of by the directors for the benefit of the company until claimed, provided that any dividend or bonus or other payment to members remaining unclaimed for a period of not less than 3 (three) years from the date on which it became payable may be forfeited by resolution of the directors for the benefit of the company.
- 22.7** The company shall be entitled at any time to delegate its obligations to any member in respect of unclaimed dividends or other unclaimed payments to any one of the company's bankers from time to time.
- 22.8** Unless the Statutes, these presents and/or the requirements of the JSE Securities Exchange South Africa require a resolution to be passed by the company in general meeting to authorise the reduction by the company of its share capital, stated capital and any capital redemption reserve fund or any share premium account, the directors shall have the power, to the extent necessary, to resolve that the company reduce its share capital, stated capital and any capital redemption reserve fund or any share premium account, whether accompanied by a payment to members as contemplated in this Article 22 or without any payment to members.

25. CAPITALISATION

- 25.1** At a meeting of members the company may, upon the recommendation of the directors, resolve to capitalise any part of the amount for the time being standing to the credit of any of the company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution and not required for the payment or provision of the fixed dividend on any shares entitled to fixed preferential dividends and accordingly that such sums be set free for distribution amongst the members who would have been entitled thereto if distributed by way of dividend and in the same proportions, on condition that such sums be not paid in cash but be applied in paying up in full unissued shares or debentures of the company to be allotted and distributed credited as fully paid up to and amongst such members in the proportion aforesaid and the directors shall give effect to such resolution: Provided that a share premium account and a capital redemption reserve fund may, for the purposes of this Article, only be applied in the paying up of unissued shares to be issued to members of the company as fully paid capitalisation shares.
- 25.2** When a resolution as provided in Article 25.1 shall have been passed the directors shall make all appropriations and applications of the undivided profits resolved to be capitalised thereby, and all allotments and issues of fully paid shares or debentures, if any, and generally shall do all acts and things required to give effect thereto, with full power to the directors to make such provision by payment in cash or otherwise (but not by the issue of fractional certificates) as they think fit for the case of shares or debentures becoming distributable in fractions, and also to authorise any person to enter, on behalf of the members entitled thereto, into an agreement with the company, providing for the allotment to them respectively, credited as fully paid up, of any further shares or debentures to which they may be entitled on such capitalisation. Any agreement made under such authority shall be effective and binding on all members.

MATERIAL CONTRACTS ENTERED INTO BY THE BLUE LABEL GROUP IN THE 3 YEARS PRECEDING THE DATE OF THE PRE-LISTING STATEMENT

The material contracts that have been entered into by the Blue Label Group during the two years preceding the date of this Pre-listing statement, other than in the ordinary course of the business carried on by the Blue Label Group and which will be available for inspection, are the following:

1. MANAGEMENT BONUS SETTLEMENT AGREEMENT

Please refer to paragraph 20.1 of this Pre-Listing Statement for a summary of the terms of this agreement.

2. PURCHASE OF BLI'S INTERESTS IN THE LEOPARD TRUST

Please refer to paragraph 20.2 of this Pre-Listing Statement for a summary of the terms of this agreement.

3. CANCELLATION OF REMUNERATION AGREEMENT

Please refer to paragraph 20.3 of this Pre-Listing Statement for a summary of the terms of this agreement.

4. SALE AND PURCHASE AGREEMENTS IN TERMS OF THE RESTRUCTURING

The Blue Label Group has entered into a number of purchase and sale agreements in terms of the Restructuring. In terms of the Restructuring, an additional 44% interest is acquired in APS, resulting in Blue Label Telecoms owning 72% in APS. The remaining shareholding in APS is held by a third party, not associated to Blue Label Telecoms.

VENDOR SALE AGREEMENTS

I. Blue Label Telecoms acquires all the Shares and Claims on Loan Account in BLI

Target Company that concluded sale of shares agreement with Purchaser's and Seller's	Name of Purchaser's	Name of Seller's	Sold Shares which are A Ordinary Shares	Sold Shares which are B Ordinary Shares	Sold Shares which are C Ordinary Shares	Percentage which number of Sold Shares represents (in the Company's Share Capital)	Number of Blue Label Telecoms Shares to be issued in exchange for Sold Shares	Portion of Purchase Price (Sold Shares) discharged by way of allotment and issue of Blue Label Telecoms shares	Portion of Purchase Price (Sold Shares) discharged by crediting such amount to a shareholder loan account in the Purchaser	Aggregate face value of Sold Claims (as at 14 November 2007)	Rate at which Sold Claims attract interest	Method of discharge of purchase price in respect of Sold Claims	Number of ListCo Shares to be issued in exchange for Sold Claims	Value (in Rand) of ListCo Shares to be contributed to Sale Offer for Private Placement in terms of Non-core disposal agreement
Blue Label Investments (Proprietary) Limited ("BLI")	Friedheif 776 (Proprietary) Limited, whose name is being changed to Blue Label Telecoms Limited ("Blue Label Telecoms")	Brett Levy	220 286	Nil	Nil	18.36%	57 755 781	100%	Nil	R123 801 805	Prime plus 2%	Credit an amount equal to the face value of such Sold Claims to the credit of a shareholder loan account in the books of Blue Label Telecoms. This liability to be subsequently settled (on implementation) by way of issue of Blue Label Telecoms Shares to Seller.	22 509 419	R8 453 909.02
		Mark Levy	220 286	Nil	Nil	18.36%	57 755 781	100%	Nil	R147 426 810	Prime plus 2%	Credit an amount equal to the face value of such Sold Claims to the credit of a shareholder loan account in the books of Blue Label Telecoms. This liability to be subsequently settled (on implementation) by way of issue of Blue Label Telecoms Shares to Seller.	26 804 875	R8 453 909.02
		Selwyn Diamond	32 000	Nil	Nil	2.67%	8 389 977	100%	Nil	R3 674 517	Prime plus 2%	Credit an amount equal to the face value of such Sold Claims to the credit of a shareholder loan account in the books of Blue Label Telecoms. This liability to be subsequently settled (on implementation) by way of issue of Blue Label Telecoms Shares to Seller.	668 094	R1 228 065.95
		Sean Kaplan	24 000	Nil	Nil	2.00%	6 292 462	100%	Nil	R2 755 887	Prime plus 2%	Credit an amount equal to the face value of such Sold Claims to the credit of a shareholder loan account in the books of Blue Label Telecoms. This liability to be subsequently settled (on implementation) by way of issue of Blue Label Telecoms Shares to Seller.	501 070	R921 049.02
		Mirapa Trust	24 000	Nil	Nil	2.00%	6 292 462	100%	Nil	R2 755 887	Prime plus 2%	Credit an amount equal to the face value of such Sold Claims to the credit of a shareholder loan account in the books of Blue Label Telecoms. This liability to be subsequently settled (on implementation) by way of issue of Blue Label Telecoms Shares to Seller.	501 070	R921 049.02

Target Company that concluded sale of shares agreement with Purchaser's and Seller's	Name of Seller's	Sold Shares which are A Ordinary Shares	Sold Shares which are B Ordinary Shares	Sold Shares which are C Ordinary Shares	Percentage which number of Sold Shares represents (in the Company's Share Capital)	Number of Blue Label Telecoms Shares to be issued in exchange for Sold Shares	Portion of Purchase Price (Sold Shares) discharged by way of allotment and issue of Blue Label Telecoms shares	Portion of Purchase Price (Sold Shares) discharged in cash by the Purchaser	Portion of Purchase Price (Sold Shares) credited by amount to a shareholder loan account in the Purchaser	Aggregate face value of Sold Claims (as at 14 November 2007)	Rate at which Sold Claims attract interest	Method of discharge of purchase price in respect of Sold Claims	Number of ListCo Shares to be issued in exchange for Sold Claims	Value (in Rands) of ListCo Shares to be contributed to Sale Offer for Private Placement in terms of Non-core disposal agreement
	Nitwise Investment Holding Corporation	11 394	340 000	Nil	37.62%	118 349 280	100%	N/A	N/A	R36 888 889	Prime plus 2%	Credit an amount equal to the face value of such Sold Claims to the credit of a shareholder loan account in the books of Blue Label Telecoms. This liability to be subsequently settled (on implementation) by way of issue of Blue Label	6 707 071	R17 323 177.68
	Public Investment Corporation	60 034	Nil	60 000	10.00%	31 471 301	100%	N/A	N/A	R19 880 672	Prime plus 2%	Credit an amount equal to the face value of such Sold Claims to the credit of a shareholder loan account in the books of Blue Label Telecoms. This liability to be subsequently settled (on implementation) by way of issue of Blue Label	3 614 668	R4 606 560.68
	Investec Bank Limited	36 000	Nil	Nil	3.00%	9 488 693	100%	N/A	N/A	R11 921 647	Prime plus 2%	Credit an amount equal to the face value of such Sold Claims to the credit of a shareholder loan account in the books of Blue Label Telecoms. This liability to be subsequently settled (on implementation) by way of issue of Blue Label	2 167 572	R1 381 573.53
	Lazarus Family Trust	30 000	Nil	Nil	2.50%	7 865 578	100%	N/A	N/A	N/A	N/A	N/A	Nil	R1 151 311.27
	Unhold	12 000	Nil	Nil	1.00%	3 146 231	100%	N/A	N/A	N/A	N/A	N/A	Nil	R460 524.50

Telecoms Shares to Seller:

Target Company that concluded sale of shares agreement with Purchaser/s and Seller/s	Name of Purchaser/s	Name of Seller/s	Sold Shares which are A Ordinary Shares	Sold Shares which are B Ordinary Shares	Sold Shares which are C Ordinary Shares	Percentage which number of Sold Shares represents (in the Company's Share Capital)	Aggregate Purchase Price (Sold Shares)	Number of Blue Label Telecoms Shares to be issued in exchange for Sold Shares	Portion of Purchase Price (Sold Shares) discharged by way of allotment and issue of Blue Label Telecoms shares	Portion of Purchase Price (Sold Shares) discharged in cash by the Purchaser	Portion of Purchase Price (Sold Shares) credited by amount to a shareholder loan account in the Purchaser	Aggregate face value of Sold Claims (as at 14 November 2007)	Rate at which Sold Claims attract interest	Method of discharge of purchase price in respect of Sold Claims	Number of ListCo Shares to be issued in exchange for Sold Claims	Value (in Rands) of ListCo Shares to be contributed to Sale Offer for Private Placement in terms of Non-core disposal agreement
		LM Nestadt	30 000	Nil	Nil	2.50%	R43 260 678.00	7 865 578	100%	N/A	N/A	N/A	N/A	N/A	Nil	R1 151 311.27
TOTALS			800 000	340 000	60 000	100.00%	R1 730 426 705.00	314 623 074.00				R349 106 114			63 473 839	R46 052 445.00
			A Ordinary Shares	B Ordinary Shares	C Ordinary Shares											

2. Blue Label Telecoms acquires 30.4% of the equity-shares in and claims on loan account against The Prepaid Company (Pty) Ltd ("TPC")

Target Company that concluded sale of shares agreement with Purchaser/s and Seller/s	Name of Purchaser/s	Name of Seller/s	Number of Shares Sold	First Tranche of Shares	Second Tranche of Shares	Third Tranche of Shares	Percentage which number of Sold Shares represents (in the Company's Share Capital)	Aggregate Purchase Price of Sold Shares	Portion of Purchase Price (Sold Shares) discharged by way of allotment and issue of Blue Label Telecoms shares	Portion of Purchase Price (Sold Shares) credited such amount to a shareholder loan account in the Purchaser	Aggregate Face Value of Sellers' Claims on Loan Account against the Company being sold	Rate at which Sellers' Claims on Loan Account attract interest	Method of discharge of Claims on Loan Account
Shotput Investments (Proprietary) Limited	Blue Label Telecoms	Shotput Investments (Proprietary) Limited	3 040 Shares	Nil	Nil	Nil	30.40%	R729 600 000.00	100%	N/A	No Loans	N/A	N/A
Africa Prepaid Services (Proprietary) Limited ("APS")	(Proprietary) Limited	Elernie Bros. (Proprietary) Limited	Nil	Nil	Nil	Nil	N/A	N/A	N/A	N/A	R100 000 000.00	Prime plus 2%	Credit face value of loan account as a shareholder loan account in books of Blue Label Telecoms

3. Acquisition of 72% of Issued Share Capital of APS

The Prepaid Company (Proprietary) Limited (in respect of first Tranche of shares)	Blue Label Telecoms Investments (Pty) Limited	Blue Label Investments (Pty) Limited	56 Shares	56	Nil	Nil	28.00%	R23 924 292.39	N/A	N/A	R6 563 008.00 (as at 30 June 2007)	Prime plus 2%	Credit an amount equal to the face value of such Sold Claims to the credit of a shareholder loan account in the books of Blue Label Telecoms.
The Prepaid Company (Proprietary) Limited (in respect of second tranche of shares)	Richmark Holdings (Pty) Limited	Richmark Holdings (Pty) Limited	56 Shares	Nil	29 Shares	27 Shares	28.00%	R23 924 292.39	50%	50%	R3 917 383.00 (as at 30 June 2007)	Prime plus 2%	50% by way of cash and 50% by way of allotment and issue of Blue Label Telecoms shares
Blue Label Telecoms (in respect of third tranche of shares)	G8DM Investments (Pty) Limited	G8DM Investments (Pty) Limited	24 Shares	Nil	12 Shares	12 Shares	12.00%	R10 253 266.12	100%	N/A	No Loans	N/A	N/A
Aaron Jurnina Trust	4 Shares	Nil	4 Shares	2 Shares	2 Shares	2 Shares	2.00%	R1 708 878.03	50%	50%	No Loans	N/A	N/A
Quickstep 537 (Pty) Limited	4 Shares	Nil	4 Shares	2 Shares	2 Shares	2 Shares	2.00%	R1 708 878.03	50%	50%	No Loans	N/A	N/A
TOTALS	144 Shares	56 Shares	43 Shares	45 Shares	43 Shares	43 Shares	72.00%	R61 519 609.00			R10 480 391.00		

4. Acquisition of 25% of Issued Share Capital of Blue Label One (Pty) Ltd

Blue Label One (Proprietary) Limited	Blue Label Telecoms	Friedheif 652 (Pty) Limited	25 Shares	N/A	N/A	N/A	25.00%	R10 000 000.00	100%	N/A	No Loans	N/A	N/A
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5. Acquisition of 50% of Issued Share Capital of Budding Trade (Pty) Ltd

Budding Trade 1170 (Proprietary) Limited	TPC (in respect of first tranche of shares) Blue Label Telecoms (in respect of second tranche of shares)	Gaebole Archibald Rantao	50 Shares	1 Share	49 Shares	Nil	50.00%	R3 000 000.00	50%	50%	No Loans	N/A	N/A
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Target Company that concluded sale of shares agreement with Purchaser/s and Seller/s	Name of Purchaser/s	Name of Seller/s	Number of Shares Sold	First Tranche of Shares	Second Tranche of Shares	Third Tranche of Shares	Percentage which number of Sold Shares represents (in the Company's Share Capital)	Aggregate Purchase Price of Sold Shares	Portion of Purchase Price (Sold Shares) discharged by way of allotment and issue of Blue Label Telecoms shares	Portion of Purchase Price (Sold Shares) discharged by such amount to a shareholder loan account in the Purchaser	Aggregate Face Value of Claims on Loan Account against the Company being sold	Rate at which Sellers' Claims on Loan Account attract interest	Method of discharge of Claims on Loan Account
6. Acquisition of 100% of Issued Share Capital of Cellfind (Pty) Ltd													
Cellfind (Proprietary) Limited	TPC (in respect of first and second tranche of shares)	Blue Label Investments (Proprietary) Limited	427 Shares	427 Shares	Nil	Nil	42,70%	R123 830 000,00	N/A	100%	No Loans	N/A	N/A
		Alan Knott-Craig	100 Shares	Nil	100 Shares	Nil	10,00%	R29 000 000,00	N/A	100%	No Loans	N/A	N/A
		Yocall Cellular Telecoms (in respect of third tranche of shares)	473 Shares	Nil	Nil	473 Shares	47,30%	R137 170 000,00	100%	N/A	No Loans	N/A	N/A
TOTAL													
			1 000 Shares	427 Shares	100 Shares	473 Shares	100,00%	R290 000 000,00					
7. Acquisition of 66.7% of Issued Share Capital of House of Business Solutions (Pty) Ltd ("HOBBS")													
HOBBS	BU (in respect of first tranche of shares)	The trustees of The Rubin Pogir Family Trust	322 Shares	81	241	Nil	32,20%	R40 378 800,00	50%	N/A	No Loans	N/A	N/A
		Selwyn Pogir	84 Shares	21	63	Nil	8,40%	R10 533 600,00	50%	N/A	No Loans	N/A	N/A
		The trustees of the Ioredale Family Trust	61 Shares	15	46	Nil	6,10%	R7 649 400,00	50%	N/A	No Loans	N/A	N/A
		The trustees of The Via Venetto Trust	200 Shares	51	149	Nil	20,00%	R25 080 000,00	50%	N/A	No Loans	N/A	N/A
TOTAL													
			667 Shares	168 Shares	499 Shares	second second	66,70%	R83 641 800,00					
8. Acquisition of 33% of Issued Share Capital of Datacel Direct (Pty) Ltd													
Datacel Direct (Proprietary) Limited	Blue Label Telecoms	Harold Prosser	36 Shares	N/A	N/A	N/A	3,6%	R54 000 000,00	50%	N/A	No Loans	N/A	N/A
9. Acquisition of 20% of Issued Share Capital of Gold Label Investments (Pty) Ltd													
Gold Label Investments (Proprietary) Limited	Blue Label Telecoms	HOBBS	200 Shares	Nil	Nil	Nil	20,00%	R29 400 000,00	N/A	100%	No loans	N/A	Credit an amount equal to the face value of such Sold Claims to the credit of a shareholder loan account in the books of Blue Label Telecoms.
10. Acquisition of 5% of Issued Share Capital of Kwikpay SA (Pty) Ltd													
Kwikpay SA (Proprietary)	Blue Label	The Orchard	5 Shares	N/A	N/A	N/A	5,00%	R1 125 000,00	100%	N/A	No Loans	N/A	N/A

Target Company that concluded sale of shares agreement with Purchaser/s and Seller/s	Name of Purchaser/s	Name of Seller/s	Number of Shares Sold	First Tranche of Shares	Second Tranche of Shares	Third Tranche of Shares	Percentage which number of Sold Shares represents (in the Company's Share Capital)	Aggregate Purchase Price of Sold Shares	Portion of Purchase Price (Sold Shares) discharged by way of allotment and issue of Blue Label Telecoms shares	Portion of Purchase Price (Sold Shares) credited such amount to a shareholder loan account in the Purchaser	Aggregate Face Value of Sellers' Claims on Loan Account against the Company being sold	Rate at which Sellers' Claims on Loan Account attract interest	Method of discharge of Claims on Loan Account
II. Acquisition of 50% of Issued Share Capital of Matragon (Pty) Ltd													
Matragon (Proprietary) Limited	TPC (in respect of the first tranche)	MAPSC Family Trust	17 Shares	Nil	17 Shares	Nil	17.00%	R32,980,000.00	50%	N/A	R7,263,107.00 (as at 30 June 2007)	No Interest	Credit an amount equal to the face value of such Sold Claims to the credit of a shareholder loan account in the books of Blue Label Telecoms.
Blue Label Telecoms (in respect of the second tranche of shares)	RAB Family Trust	RAB Family Trust	17 Shares	Nil	17 Shares	Nil	17.00%	R32,980,000.00	50%	N/A	R8,363,642.00 (as at 30 June 2007)	No Interest	Credit an amount equal to the face value of such Sold Claims to the credit of a shareholder loan account in the books of Blue Label Telecoms.
	DAB Family Trust	DAB Family Trust	2 Shares	1 Share	1 Share	Nil	2.00%	R3,880,000.00	50%	N/A	R 1,320,741.00 (as at 30 June 2007)	N/A	Credit an amount equal to the face value of such Sold Claims to the credit of a shareholder loan account in the books of Blue Label Telecoms.
	PPJ Family Trust	PPJ Family Trust	4 Shares	Nil	4 Shares	Nil	4.00%	R7,760,000.00	50%	N/A	R2,057,622.00 (as at 30 June 2007)	No Interest	Credit an amount equal to the face value of such Sold Claims to the credit of a shareholder loan account in the books of Blue Label Telecoms.
	S Frank Family Trust	S Frank Family Trust	5 Shares	Nil	5 Shares	Nil	5.00%	R9,700,000.00	50%	N/A	R2,125,393.00 (as at 30 June 2007)	No Interest	Credit an amount equal to the face value of such Sold Claims to the credit of a shareholder loan account in the books of Blue Label Telecoms.
	G Tempelhoff Family Trust	G Tempelhoff Family Trust	5 Shares	Nil	5 Shares	Nil	5.00%	R9,700,000.00	50%	N/A	R2,144,645.00 (as at 30 June 2007)	No Interest	Credit an amount equal to the face value of such Sold Claims to the credit of a shareholder loan account in the books of Blue Label Telecoms.
TOTAL	50 Shares	1 Share	49 Shares	50.00%	R97,000,000.00	R23,275,160.00							

Target Company that concluded sale of Shares agreement with Purchaser/s and Seller/s	Name of Purchaser/s	Name of Seller/s	Number of Shares Sold	First Tranche of Shares	Second Tranche of Shares	Third Tranche of Shares	Percentage which number of Sold Shares represents (in the Company's Share Capital)	Portion of Purchase Price (Sold Shares) discharged by way of allotment and issue of Blue Label Telecoms shares	Portion of Purchase Price (Sold Shares) credited to a shareholder loan account in the Purchaser	Aggregate Face Value of Sellers' Claims on Loan Account against the Company being sold	Rate at which Sellers' Claims on Loan Account attract interest	Method of discharge of Claims on Loan Account
12. Acquisition of 85% of Issued Share Capital of Virtual Voucher (Pty) Ltd												
Virtual Voucher (Proprietary) Limited	Alan Erasmus	Alan Erasmus	30 Shares	13 Shares	17 Shares	Nil	15%	50%	50%	R60 451	14.40%	Credit an amount equal to the face value of such Sold Claims to the credit of a shareholder loan account in the books of Blue Label Telecoms. This liability to be subsequently settled by way of issue of Blue Label Telecoms Shares to Seller.
Blue Label Telecoms (in respect of second tranche of shares)	Joseph Roxburgh	Joseph Roxburgh	28 Shares	11 Shares	17 Shares	Nil	14%	50%	50%	R31 102	14.40%	Credit an amount equal to the face value of such Sold Claims to the credit of a shareholder loan account in the books of Blue Label Telecoms. This liability to be subsequently settled by way of issue of Blue Label Telecoms Shares to Seller.
	Anthony Pitout	Anthony Pitout	30 Shares	13 Shares	17 Shares	Nil	15%	50%	50%	R43 289	14.40%	Credit an amount equal to the face value of such Sold Claims to the credit of a shareholder loan account in the books of Blue Label Telecoms. This liability to be subsequently settled by way of issue of Blue Label Telecoms Shares to Seller.
	Klaus Johannsen	Klaus Johannsen	30 Shares	13 Shares	17 Shares	Nil	15%	50%	50%	R7 5932	14.40%	Credit an amount equal to the face value of such Sold Claims to the credit of a shareholder loan account in the books of Blue Label Telecoms. This liability to be subsequently settled by way of issue of Blue Label Telecoms Shares to Seller.
	Peter Zuur	Peter Zuur	20 Shares	8 Shares	12 Shares	Nil	10%	50%	50%	R29 071	14.40%	Credit an amount equal to the face value of such Sold Claims to the credit of a shareholder loan account in the books of Blue Label Telecoms. This liability to be subsequently settled by way of issue of Blue Label Telecoms Shares to Seller.
	Malo Investment and Finance CC	Malo Investment and Finance CC	32 Shares	13 Shares	19 Shares	Nil	16%	50%	50%	R44 421	14.40%	Credit an amount equal to the face value of such Sold Claims to the credit of a shareholder loan account in the books of Blue Label Telecoms. This liability to be subsequently settled by way of issue of Blue Label Telecoms Shares to Seller.
TOTAL			170 shares	71 Shares	99 Shares		85%			R215 928		
13. Acquisition sale of 49% of issued share capital of Velocity (Pty) Ltd												
Velocity (Pty) Ltd	Shamrock Trust	Shamrock Trust	245 shares	245 shares	Nil	Nil	24.5%	50%	50%	R407 557	N/A	50% by way of cash and 50% by way of allotment and issue of Blue Label Telecoms shares.
	Roger James Gernish	Roger James Gernish	245 shares	245 shares	Nil	Nil	24.5%	50%	50%	R407 557	N/A	50% by way of cash and 50% by way of allotment and issue of Blue Label Telecoms shares.
TOTAL			490 shares	490 shares			49%			R815 114		

DETAILS OF VENDORS

The table below indicates the vendors from whom the assets were purchased in terms of the Restructuring, No other material acquisitions were made in the three years preceding the Last Practicable Date. Please refer to Annexure 1 for a breakdown of the purchase consideration paid in relation to the acquisitions. None of the vendors have given any guarantee or warrantee in relation to the sale of the assets. The vendors have signed three year service agreements with Blue Label Telecoms that preclude them from carrying on business in competition with Blue Label Telecoms. No Director had any beneficial interest in any of the assets acquired by Blue Label Telecoms. At listing date, all the assets would have been transferred into the name of Blue Label Telecoms.

No.	Company Name	Vendors	Address
(1)	Blue Label Investments (Proprietary) Limited	Brett Marlon Levy Mark Steven Levy Selwyn Diamond Sean Kaplan Marapa Trust Nthwese Investments Holding Corporation Public Investment Corporation Investec Bank Limited Lazarus Family Trust Unihold L M Nestadt Trust	75 Grayston Drive, Sandton 75 Grayston Drive, Sandton 75 Grayston Drive, Sandton 75 Grayston Drive, Sandton 75 Grayston Drive, Sandton 7th Floor, Randhill Building, 104 Bordeaux Drive, Randburg PIC building, Glenfield Office Park, Corner Oberon and Glenwood Roads, Faerie Glen, Pretoria 100 Grayston Drive, Sandown, Sandton 55 Morsim Drive, Hyde Park Unihold House, 22 Hurlingham Road, Illovo 21 West Road, Houghton
(2)	The Prepaid Company (Proprietary) Limited	Shotput Investments (Proprietary) Limited	iBurst House 66 Park Lane Sandton
(3)	Africa Prepaid Services (Proprietary) Limited	Blue Label Investments (Proprietary) Limited Richmark Holdings (Proprietary) Limited GBDM Investments (Proprietary) Limited Aaron Jumina Trust Quickstep 537 (Proprietary) Limited	75 Grayston Drive, Sandton 75 Grayston Drive, Sandton 75 Grayston Drive, Sandton 2nd Floor Oakhurst 11 St Andrews Road Parktown 16th Floor, The Forum, Maude Street Sandton
(4)	Blue Label One (Proprietary) Limited	Friedshelf 652 (Proprietary) Limited	75 Grayston Drive, Sandton
(5)	Budding Trade 1170 (Proprietary) Limited	Gaebolae Archiebald Rantoa	55 Riethaan Crescent, Liefde en Vrede
(6)	Cellfind (Proprietary) Limited	Blue Label Investments (Proprietary) Limited Alan Knott-Craig Vocall Cellular (Proprietary) Limited	75 Grayston Drive, Sandton 66 Park Lane, Sandton 75 Grayston Drive, Sandton

No.	Company Name	Vendors	Address
(7)	Datacel Direct (Proprietary) Limited	Harold Prosser	75 Grayston Drive, Sandton
(8)	Gold Label Investments (Proprietary) Limited	House of Business Solutions (Proprietary) Limited	75 Grayston Drive, Sandton
(9)	House of Business Solutions (Proprietary) Limited	The trustees of The Rubin Pogir Family Trust	75 Grayston Drive, Sandton
		Selwyn Pogir	75 Grayston Drive, Sandton
		The trustees of the Ivoredale Family Trust	75 Grayston Drive, Sandton
		The trustees of The Via Venetto Trust	75 Grayston Drive, Sandton
(10)	Kwikpay SA (Proprietary) Limited	The Orchard Trust	132 7th Avenue, Edenvale
(11)	Matragon (Proprietary) Limited	MAPSC Family Trust	Island House,Ground Floor; Constantia Office Park,Weltevreden Park
		RAB Family Trust	Island House,Ground Floor; Constantia Office Park,Weltevreden Park
		DAB Family Trust	Island House,Ground Floor; Constantia Office Park,Weltevreden Park
		PPJ Family Trust	Island House,Ground Floor; Constantia Office Park,Weltevreden Park
		S Frank Family Trust	Island House, Ground Floor; Constantia Office Park,Weltevreden Park
		G Tempelhoff Family Trust	Island House, Ground Floor; Constantia Office Park,Weltevreden Park
(12)	Virtual Voucher (Proprietary) Limited	Alan Erasmus	19 Rietbok Road, Robinhills
		Joseph Roxburgh	8 Glenian Road, Magaliesig
		Anthony Pitout	14 Arran Road, Morningside
		Klaus Johannsen	48 Sophia Street, Fairland
		Peter Zuur	Plot 165, Corner Gymkhana and Dressage Road, Bridle Park
		Malo Investment and Finance CC	5th Floor; 129 Beach Road, Mouille Point, 8001
(13)	Velociti (Proprietary) Limited	Shamrock Trust	14 Lindsay Avenue, Morningside
		Roger James Gerrish	79 St Andrews Drive, Durban North



Blue Label Telecoms Limited

(Previously Friedshelf 776 (Proprietary) Limited)

(Incorporated in the Republic of South Africa)

(Registration number 2006/022679/07)

JSE code: BLU ISIN: ZAE000109088

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

PRIVATE PLACEMENT APPLICATION FORM

In respect of:

- a private placing of a maximum of R1 000 000 000 in the share capital of Blue Label Telecoms priced between R5.75 and R6.75 per share in terms of an offer for subscription ("Offer for Subscription"), in terms of which approximately R200 000 000 has been received for the Preferential Placement. Accordingly the remaining Offer for Subscription will be R800 000 000;
- a private placing of a maximum of R376 467 352 in the share capital of Blue Label Telecoms priced between R5.75 and R6.75 per share in terms of an offer for sale by certain Blue Label Telecoms Shareholders ("Offer for Sale");

(collectively, "the Private Placing")

The Private Placing Shares will be issued and transferred from Blue Label Telecoms and the selling Blue Label Telecoms Shareholders respectively, to successful applicants in Dematerialised form only. Accordingly, all successful applicants must appoint a CSDP, directly or through a broker, to receive and hold the Dematerialised Shares on their behalf. Should a shareholder require a physical share certificate for its Blue Label Telecoms Shares, it will have to materialise its Blue Label Telecoms Shares following the Listing and should contact its CSDP or broker to do so.

Dematerialised Shares – payment by electronic transfer or through CSDP or broker

Applicants must pay by way of **electronic transfer**, in which case the **private placement application and the section on their CSDP or broker must be completed, and proof of such payment by electronic transfer must be hand delivered, posted or faxed to:**

If delivered by hand or by courier:

Attention: Pieter Nienaber
Investec Bank Limited
Corporate Finance Division
100 Grayston Drive
Sandown
Sandton
2196

If posted:

Attention: Pieter Nienaber
Investec Bank Limited
Corporate Finance Division
PO Box 785700
Sandton
2146

If faxed:

Attention: Pieter Nienaber
011 291 6637

The private placement application form (this application form) must be received by Investec, no later than 12:00 on Thursday, 8 November 2007.

Payment by electronic transfer must be made into the following bank account:

Bank: Investec Bank
Branch: Sandton
Branch code: 580105
Account name: Blue Label Private Placing
Account number: 30000030823
Swift code: IVESZAJJXXX

Payment for the shares allocated must be received by no later than 12:00 on Monday, 12 November 2007.

Blue Label Telecoms accepts no responsibility and will not be liable for the correctness of any allocation of Private Placing Shares pursuant to payment being made or alleged to have been made by way of electronic transfer due to proof of such payment not being received or purported proof of such payment being insufficient or defective or Blue Label Telecoms, for any reason, not being able to reconcile a payment or purported payment with a particular application for private placement shares.

Applicants can also complete and return this private placement application form to their duly appointed CSDP or broker by the time and date stipulated in the agreement governing their relationship with their CSDP or broker; together with the method of payment as stipulated in such agreement.

NO LATE APPLICATIONS WILL BE ACCEPTED

Reservation of rights

The Directors of Blue Label Telecoms reserve the right to accept or refuse any application(s), either in whole or in part, or to *pro rata* any or all application(s) (whether or not received timeously) or any type or form of payment in such manner as they may, in their sole and absolute discretion, determine.

The Directors of Blue Label Telecoms reserve the right to accept or reject, either in whole or in part, any private placement applications, should the terms contained in this prospectus of which this private placement application form forms part and the instructions herein not be properly complied with.

Applications must be for a minimum acquisition cost of R100 000.00 for a single addressee acting as applicant.

To the Directors:

Blue Label Telecoms Limited

1. I/We, the undersigned, confirm that I/we have full legal capacity to contract and, having read the Pre-Listing Statement, hereby irrevocably apply for and request you to accept my/our application for the undermentioned number of shares in Blue Label Telecoms at between R5.75 and R6.75 per share or any lesser number that may, in your absolute discretion, be allotted to me/us subject to the Articles of Association.
2. I/We wish to receive our allocated shares in Dematerialised form and will hand this private placement application form to our appointed CSDP or broker. I/We accept that payment in respect of these applications will be, in terms of the custody agreement entered into between me/us and our CSDP or broker, on a delivery versus payment basis. (Delete if not applicable).
3. I/We understand that the subscription and/or purchase for shares in terms of the Pre-Listing Statement is conditional on the granting of a Listing of the shares of Blue Label Telecoms, by Wednesday, 14 November 2007, or such later date as the Directors may determine, on the JSE Limited.

Dated _____ 2007 Telephone number () _____

Signature _____

Assisted by (where applicable) _____

Surname of individual or Name of entity	Mr Mrs Miss Other title
First names (in full)	
To be completed by all applicants Postal address (preferably PO Box address) Refund cheque and/or share certificate, if applicable, will be sent to this address	
Telephone number ()	
Total number of ordinary shares applied for	
Note: Minimum acquisition cost of R100 000 for a single addressee acting as applicant	(Enter figures only – not word)
Total amount of electronic transfer to cover the number of ordinary shares applied for herein at () per share	R (Enter figures only – not words)

Section must be completed in shares required in Dematerialised form. Required information must be completed by CSDP or broker with their stamp and signature affixed thereto

CSDP name	
CSDP contact person	
CSDP contact telephone number ()	
CSA or bank CSD account number	
Scrip account number	
Settlement bank account number	
Stamp and signature of CSDP or broker	

This application will constitute a legal contract between Blue Label Telecoms and certain Shareholders and the applicant. The issuer of new shares is Blue Label Telecoms. Application forms for certificated or uncertificated Shares will not be accepted unless the above information has been furnished.

INSTRUCTIONS:

1. Applications may be made on this application form only for a minimum acquisition cost of R100 000 for a single addressee acting as applicant. Copies or reproduction of the application form will be accepted at the discretion of the Directors.
2. Applications are irrevocable and may not be withdrawn once submitted.
3. Please refer to the terms and conditions of the Private Placing as set out in paragraph 45 of the Pre-Listing Statement. Applications should consult their stockbroker, banker or other professional advisor in case of doubt as to the correct completion of this application form.
4. No receipts will be issued for application forms, application monies or any supporting documentation.
5. If any electronic transfer is dishonoured, Blue Label Telecoms may, in its sole discretion, regard the relevant application as invalid or take such other steps in regard thereto as it may deem fit.
6. All alterations on this application form must be authenticated by a full signature.
7. Blocked Rand may be used by former residents and non-residents of the Common Monetary Area (comprising the Republics of South Africa and Namibia and the Kingdoms of Swaziland and Lesotho) for payment in terms of this Private Placing and reference should be made to paragraph 63 of the Pre-Listing Statement which deals with South African Exchange Control Regulations.
8. In determining the basis of allocation the date that people committed to applying for the subscription of shares in terms of the Private Placing could be taken into account.
9. Should the Private Placing not be successful, all monies will be appropriately refunded within seven days of the closing of the Private Placing.

