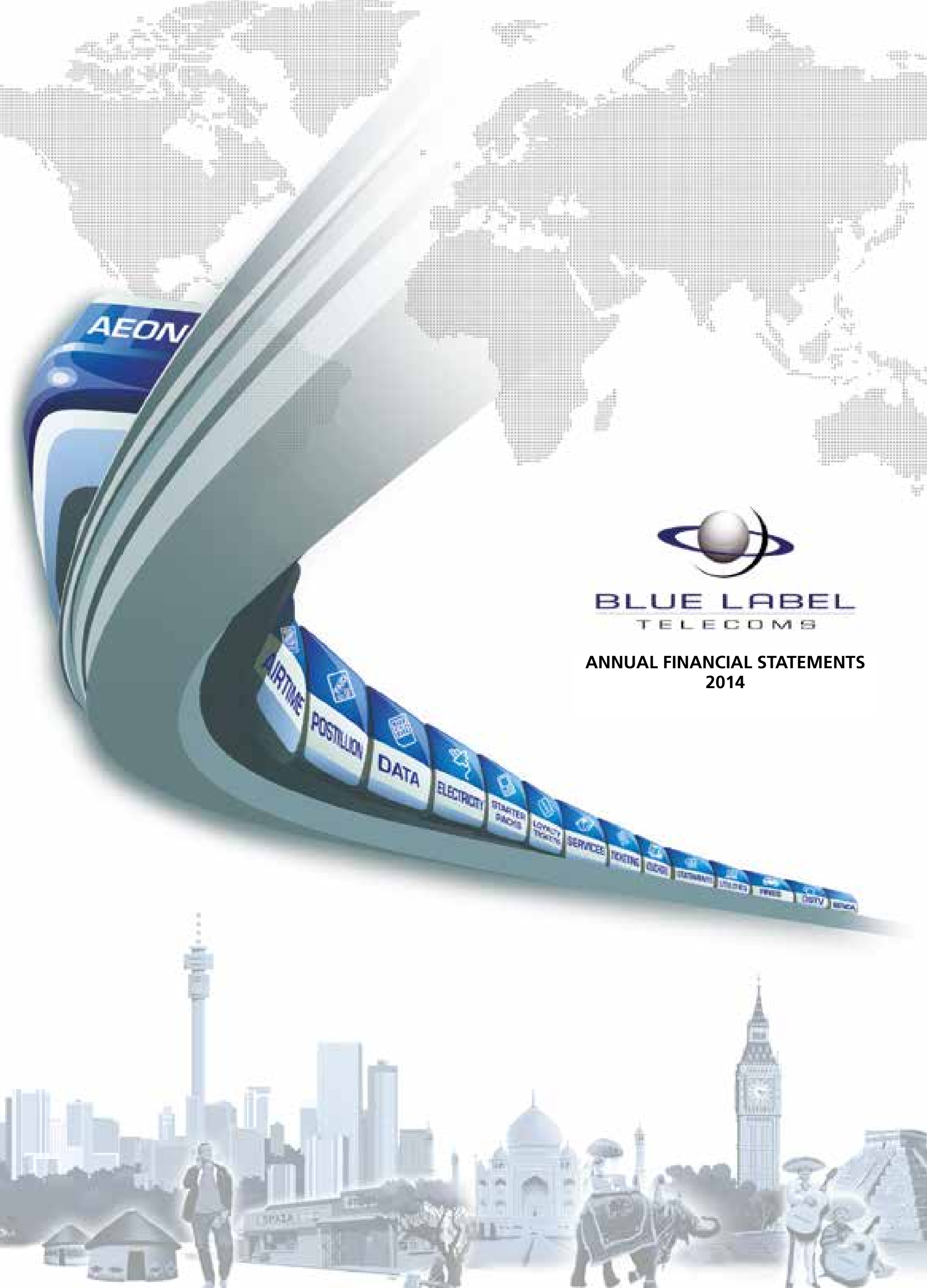

BLUE LABEL TELECOMS

ANNUAL FINANCIAL STATEMENTS 2014

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PROMINENT NOTICE

These annual financial statements have been audited by our external auditor PricewaterhouseCoopers Inc. in compliance with the applicable requirements of the Companies Act, No 71 of 2008. Dean Suntup, Financial Director, supervised the preparation of the annual financial statements.

DA Suntup CA(SA)
Financial Director

STATEMENT OF DIRECTORS' RESPONSIBILITY

The directors are responsible for the maintenance of adequate accounting records and the preparation, integrity and fair presentation of the Group and Company financial statements of Blue Label Telecoms Limited. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, No 71 of 2008.

The directors consider that having applied IFRS in preparing the Group and Company financial statements they have selected the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all IFRS statements that they consider to be applicable have been followed.

The directors are satisfied that the information contained in the Group and Company financial statements fairly presents the results of operations for the year and the financial position of the Group at year-end. The directors also prepared the other information included in the Group and Company financial statements and are responsible for both its accuracy and its consistency.

In addition, the directors are responsible for the Company's system of internal financial control. This is designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of the assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The Group and Company financial statements have been prepared on the going concern basis, since the directors have every reason to believe that the Group and Company have adequate resources in place to continue in operation for the foreseeable future, based on forecasts and available cash resources. These Group and Company financial statements support the viability of the Group and Company.

The Group and Company financial statements have been audited by the independent auditors, PricewaterhouseCoopers Inc., who were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the Board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements which appear on pages 108 to 251 were produced and approved by the board of directors on 19 August 2014 and are signed on their behalf by:

LM Nestadt
Non-executive Chairman

DA Suntup
Financial Director

BM Levy
Joint Chief Executive Officer

MS Levy
Joint Chief Executive Officer

DECLARATION BY THE COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act, No 71 of 2008 (the Act), I confirm that for the year ended 31 May 2014, Blue Label Telecoms Limited has lodged with the Companies and Intellectual Property Commission all such returns and notices as are required of a public company in terms of the Act and that all such returns and notices are true, correct and up to date.

J van Eden
Company Secretary

Sandton
19 August 2014

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

The Audit, Risk and Compliance Committee ('ARCC') is pleased to present its report for the financial year ended 31 May 2014.

The Committee is an independent statutory committee appointed by the shareholders of the Company. In addition to its statutory duties the Board has delegated further duties to the Committee. This report covers both these sets of duties and responsibilities.

MANDATE AND TERMS OF REFERENCE

The Committee has adopted comprehensive and formal terms of reference which have been approved by the Board and which are reviewed on an annual basis. The responsibilities of the ARCC include:

- examining and reviewing the Group's financial statements and reporting of interim and final results;
- reviewing and considering, for recommendation to the Board, the consolidated budget for the ensuing financial year;
- overseeing integrated reporting;
- overseeing the Internal Risk and Compliance Committee function;
- monitoring the risk management framework and assess the risks impacting the Group's ability to achieve its strategic objectives;
- reviewing and satisfying itself of the expertise, resources and experience of the Blue Label finance function;
- overseeing the internal audit function and internal financial control process;
- recommending the appointment of the external auditor and overseeing the external audit process including their audit fee, independence, nature and extent of any non-audit services; and
- monitoring compliance activities.

MEMBERSHIP AND MEETINGS HELD

In accordance with the requirements of the Companies Act, No 71 of 2008 ('the Act'), Messrs JS Mthimunye, GD Harlow and SJ Vilakazi were appointed to the Committee by shareholders at the Annual General Meeting held on 29 November 2013.

Membership of the Committee remained unchanged during the year under review:
JS Mthimunye (Independent Non-Executive chairman)
GD Harlow (Independent Non-Executive Director)
SJ Vilakazi (Independent Non-Executive Director)

The members of the Committee collectively have experience in audit, accounting, commerce, economics, law, corporate governance and general industry. All of the members of the ARCC are Independent Non-Executive Directors.

The Committee meets quarterly and the quorum for each meeting is three members present throughout the meeting. Mandatory attendees at the meetings are the joint chief executive officers, the financial director of Blue Label. The audit partner from PwC and a director from KPMG, to whom Blue Label outsources its internal audit function, are also attendees. Both internal and external auditors are afforded the opportunity to address the meeting and have unlimited access to the Chairman of the Committee. During the year, the Committee met with the external and internal auditors respectively without the presence of management. The internal audit function reports directly to the ARCC and is also responsible to the Financial Director on day-to-day administrative matters.

STATUTORY DUTIES DISCHARGED

In execution of its statutory duties during the year under review, the Committee:

- nominated and recommended to Shareholders the re-appointment of PwC as independent external auditors, with Eben Gerryts the audit partner as the registered independent auditor;
- approved the fees to be paid to PwC and other external auditors, where applicable, and approved the terms of engagement;
- maintained a non-audit services policy which determines the nature and extent of any non-audit services that PwC may provide to the Group;
- discharged those statutory duties as prescribed by section 94 of the Act acting in its capacity as the appointed audit committee of the subsidiary companies of Blue Label;
- considered the Committee's report describing how duties have been discharged; and
- submitted matters to the Board concerning the Company's accounting policies, financial controls, records and reporting, as appropriate.

OTHER DUTIES DISCHARGED

Financial statements and reporting

The Committee:

- monitored compliance with accounting standards and legal requirements and ensured that all regulatory compliance matters had been considered in the preparation of the financial statements;
- reviewed the external auditor's report to the Committee and management's responses thereto and made appropriate recommendations to the Board of Directors regarding actions to be taken;
- reviewed and commented on the annual financial statements, interim reports, paid advertisements, announcements and the accounting policies and recommended these to the Board for approval;
- reviewed and recommended to the Board for adoption the consolidated budget for the ensuing financial year; and
- considered the going-concern status of the Company and Group on the basis of review of the annual financial statements and the information available to the Committee and recommended such going-concern status for adoption by the Board. The Board statement on the going-concern status of the Group and Company is contained on page 103 in the directors' report.

External audit and non-audit services

The ARCC has satisfied itself as to the independence of the external auditor, PwC, as set out in section 94(7) of the Act, which includes consideration of compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. Requisite assurance was sought from and provided by PwC that internal governance processes within the firm support and demonstrate its claim to independence.

To assess the effectiveness of the external auditors, the Committee considered PwC's fulfilment of the agreed audit plan and variations from the plan, and the robustness and perceptiveness of PwC in its handling of key accounting treatments and disclosures.

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT CONTINUED

The Committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the 2014 financial year.

Any non-audit services to be provided by the external auditors are governed by a formal written policy which incorporates a monetary delegation of authority in terms of non-audit services to be provided. The non-audit services rendered by the external auditors during the year ended 31 May 2014 comprised tax advisory services, tax compliance services and general advisory services. The fees applicable to the aforementioned services totalled R1.6 million (2013: R0.9 million).

The ARCC has nominated, for approval at the Annual General Meeting, the re-appointment of PwC as registered auditors for the 2015 financial year. The Committee also satisfied itself that PwC is accredited and appears on the JSE List of Accredited Auditors as contemplated in paragraph 3.86 of the Listings Requirements.

Internal audit and internal controls

The Committee:

- reviewed the co-operation and co-ordination between the internal and external audit functions to avoid duplication of work. This will be further formalised through a combined assurance facilitation;
- examined and reviewed the progress made by internal audit against the approved 2013/14 audit plan;
- approved the internal audit plan for the 2014/15 financial year;
- considered the effectiveness of internal audit;
- considered internal audit findings and corrective actions taken in response to such findings; and
- reviewed the effectiveness of the systems of internal control, including internal financial control and risk management.

Risk management and compliance

The Committee:

- reviewed the integrity of the risk control systems and ensured that the risk policies and strategies of the Company are effectively managed;
- made recommendations to the Board concerning the levels of tolerance and risk appetite;
- monitored bi-annual risk assessments;
- ensured that management considered and implemented appropriate risk responses;
- reviewed the regulatory risk universe of the Company and the ongoing formalisation of the compliance function to assess the extent to which the Company is managing its compliance risk;
- reviewed legal matters that could have a material impact on the Group;
- reviewed the adequacy of the Group's insurance cover; and
- reviewed developments in corporate governance and best practice and considered their impact and implications across the Group with particular reference to the principles of King III.

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT CONTINUED

EXPERTISE AND EXPERIENCE OF THE FINANCIAL DIRECTOR AND FINANCE FUNCTION

The Committee considered the appropriateness of the expertise and experience of the Financial Director and finance function in accordance with the Listings Requirements and governance best practice. The ARCC concluded that the finance function is adequately resourced with technically competent individuals and is effective. The Committee confirms that it is satisfied that Dean Suntup possesses the appropriate expertise and experience to discharge his responsibilities as Financial Director.

FINANCIAL STATEMENTS

The Committee has reviewed the accounting policies and financial statements of the Company and the Group and is satisfied that they are appropriate and comply with International Financial Reporting Standards and the requirements of the Act.

The Committee recommended the approval of the adoption of the annual financial statements to the Board.

The ARCC is satisfied that it complied with its legal, regulatory and other responsibilities as per its terms of reference.

On behalf of the Audit, Risk and Compliance Committee:

JS Mthimunye
Chairman

18 August 2014

DIRECTORS' REPORT

The directors have pleasure in presenting the Group and Company annual financial statements of Blue Label Telecoms Limited (Blue Label Telecoms or the Company) and its subsidiary, associate and joint venture companies (the Group) for the year ended 31 May 2014.

PRINCIPAL ACTIVITIES AND STRATEGY

Blue Label Telecoms' core business is the virtual distribution of secure electronic tokens of value and transactional services across its global footprint of touch points. The Group's stated strategy is to extend its global footprint of touch points, both organically and acquisitively, to meet the significant demand for the delivery of multiple prepaid products and services through a single distributor, across various delivery mechanisms and via numerous merchants or vendors.

FINANCIAL RESULTS

The Group recorded a net profit after tax attributable to equity holders for the year ended 31 May 2014 of R450 million (2013: R425 million). Full details of the financial position and results of the Company, the Group and its segments are set out in the annual financial statements and Group annual financial statements. The Group and Company annual financial statements for the year ended 31 May 2014 were approved by the Board and signed on its behalf on 19 August 2014.

GOING CONCERN

The financial statements have been prepared on the going concern basis, since the directors have every reason to believe that the Blue Label Telecoms Group and the Company have adequate resources in place to continue in operation for the foreseeable future.

ACQUISITIONS

On 7 April 2014 The Prepaid Company Proprietary Limited, a wholly owned subsidiary of Blue Label Telecoms Limited, purchased the entire share capital of Retail Mobile Credit Specialists Proprietary Limited for R299 million plus an additional amount of R31.4 million if certain profit warranties are achieved. Of this additional amount R15.4 million has been paid on 2 June 2014. Refer to note 26.1 of the Group annual financial statements for further information.

On 31 January 2014 Blue Label Telecoms Limited acquired a further 18% of Africa Prepaid Services Proprietary Limited, increasing its holding to 90%. Refer to note 26.2 of the Group annual financial statements for further details.

SHARE CAPITAL

Full details of the authorised, issued and unissued capital of the Company at 31 May 2014 are contained in note 13 of the Group annual financial statements. There were no shares issued during the financial year ended 31 May 2014 (2013: nil).

SUBSEQUENT EVENTS

Subsequent to year-end, dividend number 5 was declared and approved by the Board.

In August 2014 Blue Label Telecoms completed a transaction in which it acquired 75% of Via Media Proprietary Limited ('Via Media'). The purchase consideration is for an initial sum of R144.4 million plus additional amounts totalling up to R103.1 million if warranted profits are achieved by Via Media during the forthcoming 36 months. If the warranted profits are not achieved, the above additional payments will be abated on a pro-rata basis. A further R112.5 million or part thereof will be payable if stretched targets over and above the warranted accumulated profits over the next three years are achieved.

DIVIDEND

On 19 August 2014 the Board approved a dividend of 27 cents per ordinary share. The dividend in respect of ordinary shares for the year ended 31 May 2014 of R182 117 441 has not been recognised in the financial statements as it was declared after this date. The salient dates are as follows:

Last date to trade cum dividend	Friday, 5 September 2014
Shares commence trading ex dividend	Monday, 8 September 2014
Record date	Friday, 12 September 2014
Payment of dividend	Monday, 15 September 2014

Share certificates may be dematerialised or rematerialised between Monday, 8 September 2014 and Friday, 12 September 2014, both days inclusive.

Before declaring the final dividend the Board applied the solvency and liquidity test on the Company and reasonably concluded that the Company will satisfy the solvency and liquidity test immediately after payment of the final dividend. The final dividend will be paid 26 days after the directors have performed the solvency and liquidity testing.

Dividend tax is provided for at 15% of the amount of any dividend paid by Blue Label Telecoms, subject to certain exemptions. The dividend tax is a tax borne by the beneficial owner of the dividend and will be withheld by either the issuer of the dividend or by regulated intermediaries.

DIRECTORATE

The following were directors of the Company for the year under review:

Name	Office	Appointment date	Date and nature of change
Larry M Nestadt	Independent non-executive director	5 October 2007	—
Brett M Levy	Joint Chief Executive Officer	1 February 2007	—
Mark S Levy	Joint Chief Executive Officer	1 February 2007	—
Kevin M Ellerine	Non-executive director	8 December 2009	—
Gary D Harlow	Independent non-executive director	5 October 2007	—
Neil N Lazarus SC	Non-executive director	5 October 2007	—
Joe S Mthimunye	Independent non-executive director	5 October 2007	—
Mark V Pamensky	Chief Operating Officer	5 October 2007	—
David B Rivkind	Financial Director	5 October 2007	Resigned 14 November 2013
Dean A Suntup	Financial Director	14 November 2013	—
Jeremiah S Vilakazi	Independent non-executive director	19 October 2011	—

PRESCRIBED OFFICER

DA Suntup was a prescribed officer of the Company until 14 November 2013. On that date he was appointed the Financial Director.

DIRECTORS' AND PRESCRIBED OFFICER'S INTERESTS

The individual interests declared by directors and officers in the Company's share capital as at 31 May 2014, held directly or indirectly, were as follows:

	Nature of interest			
	Direct beneficial		Indirect beneficial	
Director/officer	**2014**	2013	**2014**	2013
BM Levy	**75 078 183**	74 644 607	**8 272 778**	8 272 778
MS Levy	**67 670 775**	67 237 199	**8 272 777**	8 272 777
KM Ellerine	**—**	—	**266 667**	296 297
JS Mthimunye	**30 000**	30 000	**—**	—
MV Pamensky	**—**	—	**5 565 738**	5 565 738
LM Nestadt	**—**	—	**8 204 674**	8 204 674
GD Harlow	**—**	—	**2 414 815**	2 414 815
NN Lazarus	**3 803 424**	4 803 424	**177 779**	177 779
DB Rivkind	**—**	—	**—**	3 700 000
DA Suntup	**189 037**	—	**3 877 778**	3 877 778
JS Vilakazi	**—**	—	**—**	—

The aggregate interest of the current directors and officers in the capital of the Company was as follows:

	Number of shares	
Director/officer	**2014**	2013
Beneficial	**183 824 425**	187 497 866

The beneficial interest held by directors and officers of the Company constitutes 27.69% (2013: 28.34%) of the issued share capital of the Company.

Details of directors' and prescribed officer emoluments and equity compensation benefits are set out in note 29 of the Group annual financial statements and details of the forfeitable share plan are set out in note 31.

RESOLUTIONS

On 29 November 2013 the Company passed and filed with the Companies and Intellectual Property Commission the following special resolutions:

- Approving the remuneration of non-executive directors.
- Granting a general authority to repurchase the Company's shares.

Except for the aforementioned, no other special resolutions, the nature of which might be significant to shareholders in their appreciation of the state of affairs of the Group, were passed by the Company or its subsidiaries during the period covered at the date of signing these Group and Company annual financial statements.

COMPANY SECRETARY

The Board is satisfied that Ms van Eden has the requisite knowledge and experience to carry out the duties of a company secretary of a public company in accordance with section 88 of the Act and is not disqualified to act as such. She is not a director of the Board and maintains an arm's-length relationship with the Board.

The business and postal address of the Company Secretary appear on the Company's website.

AMERICAN DEPOSITORY RECEIPT FACILITY

Blue Label Telecoms has a sponsored American depository receipt facility. The facility is sponsored by the Bank of New York and details of the administrators are reflected on the Company's website.

AUDITORS

PricewaterhouseCoopers Inc. will continue in office in accordance with section 90(6) of the Companies Act.

Larry Nestadt
Chairman

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BLUE LABEL TELECOMS LIMITED

We have audited the Group financial statements and separate financial statements of Blue Label Telecoms Limited set out on pages 108 to 251, which comprise the statements of financial position as at 31 May 2014, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated and separate financial statements 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 and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

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

OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Blue Label Telecoms Limited as at 31 May 2014, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate financial statements for the year ended 31 May 2014, we have read the directors' report, the Audit, Risk and Compliance Committee's report and the declaration of the Company Secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: **EJ Gerryts**
Registered Auditor

Johannesburg
19 August 2014

GROUP STATEMENT OF FINANCIAL POSITION
As at 31 May 2014

	Notes	2014 R'000	2013 R'000
ASSETS			
Non-current assets		**1 798 307**	1 340 410
Property, plant and equipment	4	**97 200**	88 125
Intangible assets	5	**582 550**	488 383
Goodwill	5	**423 384**	217 635
Investments in and loans to associates and joint ventures	6	**598 109**	524 162
Loans receivable	7	**18 501**	1 000
Starter pack assets	8	**2 307**	2 573
Trade and other receivables	9	**51 604**	—
Deferred taxation assets	10	**24 652**	18 532
Current assets		**4 704 580**	4 380 137
Starter pack assets	8	**1 010**	1 115
Inventories	11	**1 306 206**	1 858 511
Loans receivable	7	**27 850**	36 431
Trade and other receivables	9	**2 181 973**	1 539 365
Current tax assets		**3 410**	3 433
Cash and cash equivalents	12	**1 184 131**	941 282
Total assets		**6 502 887**	5 720 547
EQUITY AND LIABILITIES			
Capital and reserves		**3 523 989**	3 242 853
Share capital	13	*****	*
Share premium		**4 012 359**	4 012 359
Treasury shares		**(66 527)**	(72 468)
Restructuring reserve		**(1 843 912)**	(1 843 912)
Foreign currency translation reserve		**128 648**	102 989
Non-distributable reserve		**10 150**	10 150
Transaction with non-controlling interest reserve		**(957 230)**	(931 125)
Equity compensation benefit reserve		**32 368**	38 204
Share-based payment reserve		**1 292**	1 292
Retained earnings		**2 222 685**	1 941 082
		3 539 833	3 258 571
Non-controlling interest		**(15 844)**	(15 718)
Non-current liabilities		**92 400**	11 942
Deferred taxation liabilities	10	**41 510**	11 942
Trade and other payables	14	**50 178**	—
Provisions	15	**712**	—
Current liabilities		**2 886 498**	2 465 752
Trade and other payables	14	**2 818 898**	2 393 222
Provisions	15	**23 777**	19 029
Current tax liabilities		**28 733**	39 504
Non-interest-bearing borrowings	16	**12 437**	12 017
Current portion of interest-bearing borrowings	16	**2 653**	1 980
Total equity and liabilities		**6 502 887**	5 720 547

** Less than R1 000.*

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 May 2014

	Notes	2014 R'000	2013 R'000
Revenue	17	**19 401 666**	18 984 210
Other income		**26 692**	16 137
Changes in inventories of finished goods		**(18 052 132)**	(17 712 965)
Employee compensation and benefit expense	18	**(332 542)**	(332 901)
Depreciation, amortisation and impairment charges		**(65 137)**	(67 951)
Other expenses		**(255 691)**	(240 859)
Operating profit	19	**722 856**	645 671
Finance costs	20	**(166 876)**	(167 096)
Finance income	20	**156 250**	173 260
Share of losses from associates and joint ventures	6	**(56 873)**	(47 326)
Net profit before taxation		**655 357**	604 509
Taxation	21	**(206 442)**	(196 404)
Net profit for the year		**448 915**	408 105
Other comprehensive income:			
Share of other comprehensive income of associates and joint ventures*		**26 099**	79 722
Exchange (loss)/profit on translation of foreign operations*		**(462)**	8 166
Other comprehensive income for the year, net of tax		**25 637**	87 888
Total comprehensive income for the year		**474 552**	495 993
Net profit for the year attributable to:			
Equity holders of the parent		**450 230**	424 841
Non-controlling interest		**(1 315)**	(16 736)
Total comprehensive income for the year attributable to:			
Equity holders of the parent		**475 889**	512 441
Non-controlling interest		**(1 337)**	(16 448)
Earnings per share for profit attributable to:			
Equity holders (cents)			
– Basic	22	**67.88**	64.22
– Diluted	22	**66.86**	63.19

* *These components of other comprehensive income do not attract any tax and may subsequently be recycled to profit or loss.*

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 31 May 2014

	Notes	Share capital R'000	Share premium R'000	Treasury shares R'000	Retained earnings R'000
Balance as at 31 May 2012		*	4 012 359	(71 043)	1 671 378
Net profit for the year		—	—	—	424 841
Other comprehensive income		—	—	—	—
Total comprehensive income		—	—	—	424 841
Treasury shares purchased	13	—	—	(17 223)	—
Equity compensation benefit scheme shares vested		—	—	15 798	—
Equity compensation benefit movement		—	—	—	—
Share of equity movement in associates		—	—	—	—
Dividends		—	—	—	(155 137)
Transaction with non-controlling interest reserve movement	26.2	—	—	—	—
Non-controlling interest acquired during the year	26.1	—	—	—	—
Balance as at 31 May 2013		*	4 012 359	(72 468)	1 941 082
Net profit for the year		**—**	**—**	**—**	**450 230**
Other comprehensive income		**—**	**—**	**—**	**—**
Total comprehensive income		**—**	**—**	**—**	**450 230**
Treasury shares purchased	13	**—**	**—**	**(11 120)**	**—**
Equity compensation benefit scheme shares vested		**—**	**—**	**17 061**	**—**
Equity compensation benefit movement		**—**	**—**	**—**	**—**
Share of equity movement in associates		**—**	**—**	**—**	**—**
Dividends		**—**	**—**	**—**	**(168 627)**
Transaction with non-controlling interest reserve movement	26.2	**—**	**—**	**—**	**—**
Non-controlling interest movement		**—**	**—**	**—**	**—**
Balance as at 31 May 2014		*****	**4 012 359**	**(66 527)**	**2 222 685**

* *Less than R1 000.*

[1] *The restructuring reserve arose as a result of the restatement of Group comparatives, as required in terms of the principles of predecessor accounting. This reserve represents the difference between the fair value of the entities under the Group's control and their respective net asset values, as at the assumed restructure date of 1 June 2006.*

[2] *The non-distributable reserve arose as a result of BLT's share of share premium issued by associate companies pre-2010.*

[3] *The transaction with non-controlling interest reserve relates to the excess payments over the carrying amounts arising on transactions with non-controlling shareholders as these are treated as equity participants. Refer to note 26.2.*

[4] *This relates to the Group's movement in equity compensation benefit (refer to note 31) as well as the Group's share of the movement in equity compensation benefit of associate companies. Refer to note 6.*

[5] *The share-based payment reserve relates to a BEE transaction concluded by Cigicell Proprietary Limited, a subsidiary of Blue Label Telecoms. In September 2009 Ventury Proprietary Limited sold 26% of its stake in Cigicell Proprietary Limited to Sangrilor Proprietary Limited. The Group has not recognised this disposal and accounts for Cigicell Proprietary Limited as a wholly owned subsidiary until the purchase consideration has been settled by Sangrilor Proprietary Limited. The purchase consideration will be settled through the declaration of dividends by Cigicell Proprietary Limited. There are no specified dates for this.*

GROUP STATEMENT OF CHANGES IN EQUITY CONTINUED

For the year ended 31 May 2014

Restructuring reserve[1] R'000	Foreign currency translation reserve R'000	Non-distributable reserve[2] R'000	Transactions with non-controlling interest reserve[3] R'000	Equity compensation benefit reserve[4] R'000	Share-based payment reserve[5] R'000	Total ordinary shareholders' equity R'000	Non-controlling interest R'000	Total equity R'000
(1 843 912)	15 389	10 150	(909 572)	37 623	1 292	2 923 664	(9 278)	2 914 386
—	—	—	—	—	—	424 841	(16 736)	408 105
—	87 600	—	—	—	—	87 600	288	87 888
—	87 600	—	—	—	—	512 441	(16 448)	495 993
—	—	—	—	—	—	(17 223)	—	(17 223)
—	—	—	—	(15 559)	—	239	(239)	—
—	—	—	—	16 063	—	16 063	117	16 180
—	—	—	—	77	—	77	—	77
—	—	—	—	—	—	(155 137)	(3 515)	(158 652)
—	—	—	(21 553)	—	—	(21 553)	7 553	(14 000)
—	—	—	—	—	—	—	6 092	6 092
(1 843 912)	102 989	10 150	(931 125)	38 204	1 292	3 258 571	(15 718)	3 242 853
—	**—**	**—**	**—**	**—**	**—**	**450 230**	**(1 315)**	**448 915**
—	**25 659**	**—**	**—**	**—**	**—**	**25 659**	**(22)**	**25 637**
—	**25 659**	**—**	**—**	**—**	**—**	**475 889**	**(1 337)**	**474 552**
—	**—**	**—**	**—**	**—**	**—**	**(11 120)**	**—**	**(11 120)**
—	**—**	**—**	**—**	**(16 792)**	**—**	**269**	**(269)**	**—**
—	**—**	**—**	**—**	**10 792**	**—**	**10 792**	**277**	**11 069**
—	**—**	**—**	**—**	**164**	**—**	**164**	**—**	**164**
—	**—**	**—**	**—**	**—**	**—**	**(168 627)**	**(1 805)**	**(170 432)**
—	**—**	**—**	**(26 105)**	**—**	**—**	**(26 105)**	**3 760**	**(22 345)**
—	**—**	**—**	**—**	**—**	**—**	**—**	**(752)**	**(752)**
(1 843 912)	**128 648**	**10 150**	**(957 230)**	**32 368**	**1 292**	**3 539 833**	**(15 844)**	**3 523 989**

GROUP STATEMENT OF CASH FLOWS

For the year ended 31 May 2014

	Notes	**2014 R'000**	2013 R'000
Cash flows from operating activities			
Cash received from customers		**18 708 547**	18 832 495
Cash paid to suppliers and employees		**(17 579 539)**	(19 089 879)
Cash generated/(utilised) by operations	23	**1 129 008**	(257 384)
Interest received	20	**24 613**	35 806
Interest paid	20	**(22 751)**	(23 709)
Taxation paid	24	**(223 538)**	(194 507)
Net cash flows from operating activities		**907 332**	(439 794)
Cash flows from investing activities			
Acquisition of intangible assets		**(102 778)**	(272 141)
Warranty refund	5	**15 501**	—
Proceeds on disposal of intangible assets		**1 209**	70
Disposal of subsidiaries net of cash disposed	25	**—**	255
Acquisition of subsidiaries net of cash acquired	26.1	**(273 242)**	(2 770)
Acquisition of associate and joint venture	6	*****	(110 345)
Loans advanced to associates and joint ventures		**(86 368)**	(593)
Loans granted		**(16 155)**	(6 433)
Loans receivable repaid		**28 662**	137
Dividends received from associates and joint ventures		**11 118**	750
Proceeds on disposal of property, plant and equipment		**1 144**	4 198
Acquisition of property, plant and equipment		**(46 311)**	(19 464)
Net cash flows from investing activities		**(467 220)**	(406 336)
Cash flows from financing activities			
Interest-bearing borrowings repaid		**(112)**	—
Interest-bearing borrowings raised		**962**	1 809
Acquisition of non-controlling interest	26.2	**(16 190)**	(14 000)
Acquisition of treasury shares		**(11 120)**	(17 223)
Dividends paid to non-controlling interest		**(1 805)**	(3 515)
Dividends paid		**(168 627)**	(155 137)
Net cash flows from financing activities		**(196 892)**	(188 066)
Increase/(decrease) in cash and cash equivalents		**243 220**	(1 034 196)
Cash and cash equivalents at the beginning of the year		**941 282**	1 975 242
Translation difference		**(371)**	236
Cash and cash equivalents at the end of the year		**1 184 131**	941 282

* *Less than R1 000.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

For the year ended 31 May 2014

Blue Label Telecoms Limited (the Company) and its subsidiaries, joint ventures and associates (together referred to as the Group) are involved in the procurement, selling and distribution of prepaid products for, inter alia, fixed and mobile networks and all business ancillary thereto.

The annual financial statements comprise the consolidated financial statements of the Group and the stand-alone financial statements of the Company and were authorised by the board of directors, as indicated on page 97.

1. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The principal accounting policies applied in the preparation of these Group annual financial statements are set out below in the related notes and are consistent with those adopted in the prior year, unless otherwise specified.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, the JSE Listings Requirements and the Companies Act, No 71 of 2008.

The term IFRS includes International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC). The standards referred to are set by the International Accounting Standards Board (IASB).

Basis of preparation

The annual financial statements and Group financial statements are prepared under the historical cost convention, except for certain financial and equity instruments which have been measured at fair value. Amounts are rounded to the nearest thousand with the exception of earnings per share, ordinary share capital and equity compensation benefit. 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.

Going concern

The Group and Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group and Company should be able to operate within its current funding levels.

After making enquiries, the directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. The Group and Company therefore continue to adopt the going-concern basis in preparing the financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards, interpretations and amendments effective in 2014

The following standards and amendments are effective for the first time for the year ended 31 May 2014 and have been applied when presenting the Group's financial statements:

IFRS 12 – Disclosures of Interests In Other Entities

The adoption of IFRS 12 – *Disclosures of Interest In Other Entities* resulted in additional disclosures on interest in non-controlling interests (note 27) and interests in associates and joint ventures (note 6).

IFRS 10 – Consolidated Financial Statements

The adoption of IFRS 10 – *Consolidated Financial Statements* did not result in any change in the consolidation status of its subsidiaries.

IFRS 11 – Joint Arrangements

The adoption of IFRS 11 – *Joint Arrangements* did not result in any change in the accounting for joint arrangements.

IFRS 13 – Fair Value Measurement

The adoption of IFRS 13 – *Fair Value Measurement* did not result in any change in the Group's accounting treatments.

Amendment to IAS 1 – Presentation of Items of Other Comprehensive Income (OCI)

The adoption of the amendment to IAS 1 – *Presentation of Items of Other Comprehensive Income (OCI)* resulted in additional disclosures on the statement of comprehensive income.

The following standards, interpretations and amendments are effective for the first time for the year ended 31 May 2014 and have not had an impact on the Group's and Company's financial statements:

- Amendment to IFRS 1 – *First-time Adoption on Government Loans*
- Amendment to IFRS 7 – *Financial Instruments: Disclosures – Asset and Liability Offsetting*
- Amendment to IAS 19 – *Employee Benefits*
- Amendment to IAS 27 (revised 2011) – *Separate Financial Statements*
- Amendment to IAS 28 (revised 2011) – *Associates and Joint Ventures*
- IFRIC 20 – *Stripping Costs in the Production Phase of a Surface Mine*

Standards, amendments and interpretations not yet effective

The Group has evaluated the effect of all new standards, amendments and interpretations that have been issued but which are not yet effective. Based on the evaluation, management does not expect these standards, amendments and interpretations to have a significant impact on the Group's results and disclosures. The expected implications of applicable standards, amendments and interpretations are dealt with below.

Amendment to IAS 39 on novation of derivatives

The IASB has amended IAS 39 to provide relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria. Similar relief will be included in IFRS 9 – *Financial Instruments.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards, amendments and interpretations not yet effective (continued)

This statement is effective for periods beginning on or after 1 January 2014. The Group is currently considering the impact on the classification of financial assets, however, do not believe the statement will have a significant impact, given the nature of the financial assets held by the Group.

Amendment to IAS 36 – Impairment of Assets

These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal.

This statement is effective for periods beginning on or after 1 January 2014. The Group is currently considering the impact on the consolidated financial statements, however does not believe the statement will have a significant impact.

IFRS 9 – Financial Instruments (2009)

This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.

This statement is effective for periods beginning on or after 1 January 2018. The Group is currently considering the impact on the classification of financial assets, however do not believe the statement will have a significant impact, given the nature of the financial assets held by the Group.

IFRS 9 – Financial Instruments (2010)

The IASB has updated IFRS 9 – *Financial instruments* to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39 – *Financial instruments: Recognition and measurement*, without change, except for financial liabilities that are designated at fair value through profit or loss.

This statement is effective for periods beginning on or after 1 January 2018. The Group is currently considering the impact on the derecognition of financial liabilities, however do not believe the statement will have a significant impact, given the nature of the financial liabilities held by the Group.

Amendments to IFRS 9 – Financial Instruments (2011)

The IASB has published an amendment to IFRS 9 – *Financial Instruments* that delays the effective date to annual periods beginning on or after 1 January 2018. The original effective date was for annual periods beginning on or after 1 January 2013. This amendment is a result of the Board extending its timeline for completing the remaining phases of its project to replace IAS 39 (for example, impairment and hedge accounting) beyond June 2011, as well as the delay in the insurance project. The amendment confirms the importance of allowing entities to apply the requirements of all the phases of the project to replace IAS 39 at the same time. The requirement to restate comparatives and the disclosures required on transition have also been modified.

This amendment has delayed the implementation of the standard from 1 January 2013 to 1 January 2018. The impact on the Group is stated above.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards, amendments and interpretations not yet effective (continued)

IFRS 14 – Regulatory deferral accounts

The IASB has issued IFRS 14 – *Regulatory Deferral Accounts* (IFRS 14), an interim standard on the accounting for certain balances that arise from rate-regulated activities (regulatory deferral accounts). Rate regulation is a framework where the price that an entity charges to its customers for goods and services is subject to oversight and/or approval by an authorised body.

This statement is effective for periods beginning on or after 1 January 2016 and is not applicable to the Group.

Amendment to IAS 19 regarding defined benefit plan

These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

This amendment is not applicable to the Group.

Amendments to IAS 32 – Financial Instruments: Presentation

The IASB has issued amendments to the application guidance in IAS 32 – *Financial Instruments: Presentation* that clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position. However, the clarified offsetting requirements for amounts presented in the statement of financial position continue to be different from US GAAP.

This statement is effective for periods beginning on or after 1 January 2014. The Group is currently considering the impact on the consolidated financial statements, however does not believe the statement will have a significant impact.

Amendments to IFRS 10, IFRS 12 and IAS 27 for investment entities

The amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an "investment entity" definition and which display particular characteristics. Changes have also been made in IFRS 12 to introduce disclosures that an investment entity needs to make.

This statement is effective for periods beginning on or after 1 January 2014. The Group is currently considering the impact on the consolidated financial statements, however does not believe the statement will have a significant impact.

IFRS 15 – Revenue From Contracts With Customers

This statement establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

This statement is effective for periods beginning on or after 1 January 2017. The Group is currently considering the impact on the consolidated financial statements.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards, amendments and interpretations not yet effective (continued)

IFRIC 21 – Accounting For Levies

IFRIC 21 sets out the accounting for an obligation to pay a levy that is not income tax.

The interpretation addresses diversity in practice around when the liability to pay a levy is recognised.

This statement is effective for periods beginning on or after 1 January 2014. The Group is currently considering the impact on the consolidated financial statements, however does not believe the statement will have a significant impact.

Annual improvements project

The IASB decided to initiate an annual improvements project in 2007 as a method of making necessary, but non-urgent, amendments to IFRS that will not be included as part of another major project. The IASB's objective was to ease the burden for all concerned.

Improvements to IFRS was issued by the IASB as part the "annual improvements process" resulting in the following amendments to standards issued, but not effective for 31 May 2014 year-ends:

Amendment to IFRS 2 – Share-Based Payment

The amendment clarifies the definition of a "vesting condition" and separately defines "performance condition" and "service condition".

Amendment to IFRS 3 – Business Combinations

The standard is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32 – *Financial instruments: Presentation.*

The standard is further amended to clarify that all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Consequential changes are also made to IFRS 9, IAS 37 and IAS 39.

Amendment to IFRS 8 – Operating Segments

The standard is amended to require disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics.

The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Annual improvements project (continued)

Amendment to IFRS 13 – Fair Value Measurement

The IASB has amended the basis for conclusions of IFRS 13 to clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts.

Amendment to IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets

Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

The carrying amount of the asset is restated to the revalued amount.

The split between gross carrying amount and accumulated depreciation is treated in one of the following ways:

- either the gross carrying amount is restated in a manner consistent with the revaluation of the carrying amount, and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses; or
- the accumulated depreciation is eliminated against the gross carrying amount.

Amendment to IAS 24 – Related Party Disclosures

The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the management entity).

Management is currently considering the effect of the changes.

Basis of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED
For the year ended 31 May 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Subsidiaries (continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts, reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, i.e. as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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 using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Associates (continued)

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to 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 legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to share of profit/(loss) from associates in the statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses 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.

Dilution gains and losses arising in investments in associates are recognised in the statement of comprehensive income.

Joint ventures

Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Company financial statements account for investments in joint ventures at cost less any accumulated impairment.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Group financial statements are presented in South African Rand ('ZAR'), which is the Group'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 statement of comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (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:

- Assets and liabilities are translated at the closing rate as at statement of financial position date;
- 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
- 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 other comprehensive income. When a foreign operation is partially disposed of or sold, such exchange differences are recognised in the statement of comprehensive income 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 statement of financial position include:

Financial assets

- Financial assets at fair value through profit or loss.
- Loans receivable.
- Trade and other receivables.
- Cash and cash equivalents.

Financial liabilities

- Borrowings.
- Trade and other payables.
- Bank overdraft.

1. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

Financial instruments (continued)

Financial liabilities (continued)

The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

Regular way 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 statement of financial position 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) are removed from its statement of financial position when, and only when, they are extinguished, i.e. when the obligation specified in the contract is discharged, 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) 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 statement of financial position 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.

Loans and receivables comprise loans receivable and trade and other receivables (excluding prepayments and VAT).

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Impairment of financial assets

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)
Impairment of financial assets (continued)

(a) Loans and receivables

The Group assesses at each reporting 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 Group about the following events:

- Significant financial difficulty of the debtor;
- A breach of contract, such as default or delinquency in payments; and
- It becoming probable that the borrower 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 original effective interest rate. The amount of the provision is recognised as a charge in the statement of comprehensive income.

When a receivable is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the statement of comprehensive income.

Financial liabilities and equity instruments

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 and other payables for financial liabilities (which exclude employee-related liabilities and VAT), 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.

Property, plant and equipment

Property, plant and equipment is initially recorded at historical cost, being the purchase cost plus any cost to prepare the assets for their intended use. Historical cost includes expenditure that is directly attributable to the acquisition of the item. 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 statement of comprehensive income during the financial period in which they are incurred.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

Property, plant and equipment is depreciated on the straight-line basis over each asset's estimated useful 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	25%
Computer equipment	25% – 33.3%
Terminals and vending machines	16.67%
Media equipment	33.33%
Plant and machinery	20%
Buildings	8.33%

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 capitalised as part of the cost of those assets. No such qualifying assets exist at year-end.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at year-end.

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

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Computer software has a finite useful life and is subsequently carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of the computer software over its estimated useful life (three to 10 years).

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED
For the year ended 31 May 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

(b) Trademarks

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

Trademarks 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.

(c) Franchise fees

Franchise fees are shown at historical cost. Franchise fees have a finite useful life and are subsequently carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of franchise fees over their estimated useful lives (20 years).

Franchise fees are initially shown at fair value as determined in accordance with IFRS 3 – *Business Combination*s, and are subsequently carried at the initially determined fair value less accumulated amortisation and impairment losses.

(d) Databases, customer listings, distribution agreements and customer relationships

Databases, customer listings, distribution agreements and customer relationships 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 (three to 10 years).

Distribution agreements purchased are initially shown at cost, and are subsequently carried at the initial cost 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 (10 years).

(e) 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 intends 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)
Intangible assets (continued)

(e) Research and development (continued)

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 (i.e. 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 (five to 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.

(f) Purchased starter pack bases and post-paid bases

Purchased starter pack bases represent the right to earn future revenue from starter packs already distributed and are initially recognised at the cost to the Group. Starter pack bases have a finite life and are subsequently carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over their estimated useful lives (seven years).

Purchased post-paid bases represent the right to earn revenue from the cellular network in respect of contracts forming part of the acquired base. Post-paid bases have a finite life and are subsequently carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over their estimated useful lives (10 years). Where the Group is entitled to a warranty refund on the initial cost of a base, this is disclosed as a reduction in the cost of the asset.

(g) 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 subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is attributable to synergies that the Group expects to derive from the transaction. If the cost of acquisition is less than the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income. Goodwill on the acquisition of subsidiaries is included in "goodwill" in the statement of financial position. Goodwill on acquisitions of associates and joint ventures is included in "Investments in and loans to associates and joint ventures".

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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED
For the year ended 31 May 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and when there are indicators of impairment. 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 statement of comprehensive income 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 statement of comprehensive income in the same line item as the original impairment charge.

Leases

(a) 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 statement of comprehensive income 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.

(b) Operating leases

Leases in which a significant portion of 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 statement of comprehensive income 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Starter pack assets

A starter pack is a tool which enables the connection of a mobile device to a mobile network operator, also known as a SIM (subscriber identity module) card.

The starter pack asset represents starter packs which have been distributed but not yet activated. On activation of the starter pack, the Group has a right to receive cash. Starter packs are stated at cost less provision for impairment and are determined by means of the weighted average cost basis. Provision for impairments are made for starter packs distributed but not expected to be activated.

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 inventory is determined by means of the weighted average cost basis. 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 amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in the normal operating cycle of the business, they are classified as current assets. If not, they are presented as non-current assets.

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

Cash and cash equivalents

Cash and cash equivalents include 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.

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 from equity.

Shares acquired by Blue Label Telecoms for its own employees' equity compensation benefit scheme, as well as the shares procured by the subsidiaries in terms of this scheme, are accounted for as treasury shares in the Group statement of financial position.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 statement of comprehensive income over the period of the borrowings using the effective interest rate method.

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

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 year-end.

Normal taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at year-end in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Uncertain tax positions are considered by the Group at the level of the individual uncertainty or group of related uncertainties.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 substantively enacted by year-end 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Dividend tax

Dividend tax is provided for at 15% of the amount of any dividend paid, subject to certain exemptions. The Dividend tax is a tax borne by the beneficial owner of the dividend and will be withheld by either the issuer of the dividend or by regulated intermediaries.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within the normal operating cycle of the business. If not, they are presented as non-current liabilities.

Trade payables are measured initially 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.

Consideration received in advance of goods sold or services rendered is recorded in trade and other payables as deferred revenue. The liability is reversed and the associated revenue is recognised only when the risks and rewards of ownership of the goods are transferred to the customer or the service has been rendered.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED
For the year ended 31 May 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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

(a) Sale of starter packs

Revenue is recognised when the significant risks and rewards of ownership are transferred to the customer, and when the entity no longer retains continuing managerial involvement to the degree usually associated with ownership.

Activation bonuses received from the networks are recognised when the SIM card is activated on the relevant cellular phone network. Ongoing revenue and other incentives are recognised once certain criteria have been met. The point of activation is determined by the relevant cellular phone networks. For this category of revenue the Group acts as a principal.

(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. The Group accounts for the sale of prepaid airtime based on the substance of the arrangement. Where the Group acts in its capacity as principal for the sale of airtime (for instance where the Group bears inventory risk), revenue is recognised as the fair value of the consideration receivable net of discounts and taxes. Revenue is recognised at the point at which risks and rewards are transferred to the customer and the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the prepaid airtime.

Where the Group is acting in its capacity as an agent in the sale of prepaid airtime (for instance where the Group does not bear any inventory risk), the amount of revenue recorded is the fair value of commission received or receivable.

(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. These services include location-based services, SMS transaction services, media, call centre and data transaction revenue, and technology revenue. For this category of revenue the Group acts as a principal.

(d) Electricity commission

Commissions on the sale of prepaid electricity are recognised when the Group sells electricity to the customer on behalf of the utility suppliers. Commissions are recorded based on agreed rates per the contracts. For this category of revenue the Group acts as an agent.

Employee benefits

(a) Equity compensation benefit

The Group operates an equity-settled forfeitable share incentive plan, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the services received in exchange for the grant of forfeitable shares is recognised as an expense. The total amount to be expensed is determined by the fair value of the forfeitable shares granted. The total amount expensed is recognised over the vesting period, which is the period over which all of the vesting conditions are to be satisfied. At each reporting date, the entity recognises the impact of any shares that have been forfeited prior to the end of the vesting period, if any, in the statement of comprehensive income with a corresponding adjustment to equity.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

(a) Equity compensation benefit (continued)

The subsidiaries procure the shares in order to settle the award, but these are accounted for as a purchase of shares in the holding company, and only once the shares vest as the performance conditions are met would the share be derecognised. When shares are derecognised, the investment in shares in Blue Label Telecoms Limited will be credited and equity will be debited as a contribution to the shareholder.

(b) Bonus plans

The Group recognises a liability and an expense for bonuses. A liability is recognised where the Group is contractually obliged or where there is a past practice that has created a constructive obligation.

(c) Leave pay accrual

The Group recognises a liability and an expense for leave. The accrued liability is determined by valuing all future leave expected to be taken and payments expected to be made in respect of benefits.

Interest income

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

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.

Distributions of non-cash assets received from subsidiary companies are recognised as a dividend at the fair value of the non-cash assets received.

Core net profit

Core net profit is a non-IFRS measure used by the Group in evaluating the Group's performance. This supplements the IFRS measures. Core net profit is calculated by adjusting net profit for the year with the amortisation of intangible assets that arise as a consequence of the purchase price allocations completed in terms of IFRS 3 – *Business Combinations*.

Reconciliation of core net profit to relevant IFRS measures are presented in note 22 (core HEPS) and note 30 (segmental summary).

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) Assessment of goodwill for impairment

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. Refer to note 5 for details on these estimates.

(b) Equity compensation benefit

In determining the number of forfeitable shares that will vest due to performance conditions being met, management assesses the attrition rates of staff based on the grades of staff that have been granted awards as well as the historic staff turnover.

(c) Income taxes

As with any enterprise, the Group faces uncertainties in the markets in which it operates and over which it has little or no control. The Group is subject to income tax in numerous jurisdictions and judgement is required in determining the provision for tax.

There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Amounts accrued are based on management's interpretation of country-specific tax law and the likelihood of settlement. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised to the extent that it is probable that taxable income will be available in the future against which these can be utilised. Future taxable profits are estimated based on business plans which include estimates and assumptions regarding economic growth, interest rates, inflation and competitive forces.

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

(d) Valuation of intangible assets acquired as part of a business combination

The fair values of all of the identifiable intangible assets acquired as part of a business combination are determined using recognised valuation techniques. Such techniques often rely on forecasts of future cash flows and the use of appropriate discount rates that reflect the risk factors associated with the cash flows.

2. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

(d) Valuation of intangible assets acquired as part of a business combination (continued)

These valuations are based on information at the time of the acquisition and the expectations and assumptions that have been deemed reasonable by the Group's management. The risk exists that the underlying assumptions or events associated with such assets will not occur as projected. For these reasons, among others, the actual cash flows may vary from forecasts of future cash flows.

(e) Assessment of principal versus agent

Details of whether Blue Label Telecoms acts as a principal or an agent in certain of its transactions is set out in the Revenue recognition note. This assessment requires an analysis of whether Blue Label Telecoms carries inventory risk and the customer's credit risk, whether Blue Label Telecoms has the latitude to establish pricing and whether Blue Label Telecoms has the primary responsibility for providing the goods or services to the customer.

(f) Purchased starter pack bases and post-paid starter pack bases

The relative size of the Group's purchased starter pack bases and post-paid starter pack bases makes the judgements surrounding the estimated useful lives and residual values critical to the Group's financial position and performance. Useful lives are reviewed on an annual basis with the effects of any changes in estimate accounted for on a prospective basis. The residual values of these assets are assumed to be zero. The current useful life of these bases is estimated to be seven to 10 years, based on management's estimates and taking into account historical experience as well as future events which may impact the useful lives.

(g) Assessment of investment in joint ventures for impairment

The Group tests annually whether investment in joint ventures has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of the investment in joint ventures has been determined based on value-in-use calculations. These calculations require the use of estimates. Refer to note 6 for details on these estimates.

(h) Applicability of IFRS 10 – Consolidated Financial Statements

The Group has assessed the requirements of IFRS 10 against shareholder and management agreements and concluded that it does not change the reporting on subsidiary companies that are consolidated.

(i) Assessment of investments for impairment

The Company tests annually whether investments have 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. Refer to note 6 of the Company financial statements for details on these estimates.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

2. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

(j) Classification of significant joint arrangements

Joint arrangements are all arrangements where two or more parties contractually agree to share control of the arrangement, which only exists when decisions about the relevant activities require unanimous consent of the parties sharing control. Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Group exercises judgement in determining the classification of its joint arrangements.

Blue Label Mexico S.A. de C.V.

The Group holds an effective interest of 45.57% in the issued ordinary share capital of Blue Label Mexico S.A. de C.V. The joint arrangement provides the Group and the other parties to the agreement with rights to the net assets of the entity. The investment is classified as a joint venture as unanimous approval of the shareholders is required for decisions.

2DFine Holdings Mauritius

The Group holds an effective interest of 50% in the issued ordinary share capital of 2DFine Holdings Mauritius. The joint arrangement provides the Group and the other parties to the agreement with rights to the net assets of the entity. The investment is classified as a joint venture as unanimous approval of the shareholders is required for decisions.

(k) Classification of significant 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.

Smart Voucher Limited trading as UKash

The Group has an effective interest of 17.25%. Significant influence is demonstrated as a result of representation on the board of directors.

Oxigen Services India Private Limited ('Oxigen Services India')

Blue Label Telecoms acting through its wholly owned subsidiary, Gold Label Investments, acquired a 50% interest in 2DFine Holdings Mauritius. The investment is classified as a joint venture as unanimous approval of the shareholders is required for decisions. 2DFine Holdings Mauritius holds 37.22% of Oxigen Services India. In terms of IFRS, an entity does not aggregate its interests held through associates and joint ventures when assessing for control as BLT through this relationship cannot direct the financial and operating policies of Oxigen Services India. Therefore, even though BLT has an effective interest of 55.83% in Oxigen Services India, the Group neither controls nor jointly controls Oxigen Services India.

3. FINANCIAL RISKS

In the course of its business, the Group is exposed to a number of financial risks: credit risk, liquidity risk and market risk (including foreign currency, interest rate and other price risks). This note presents the Group's objectives, policies and processes for managing its financial risk and capital.

Risk management is monitored and managed by key personnel of each entity in the Group on a daily basis based on their specific operational requirements.

Credit risk

Credit risk arises because a counterparty may fail to meet its obligations to the Group.

The Group is exposed to credit risk on financial assets mainly in respect of trade receivables, loan receivables and cash and cash equivalents.

Trade 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 and payment history. Individual credit limits are set for each customer and the utilisation of these credit limits is monitored regularly. Customers cannot exceed their set credit limit, without specific senior management approval. Such approval is assessed and granted on a case-by-case basis. Management regularly reviews the debtors age analysis and follows up on long-outstanding debtors. Where necessary, a provision for impairment is made. A portion of the Group's customer base is made up of major retailers, with the balance of the customer base being widely dispersed.

The risk of starter pack receivables is assessed as low due to the fact that annuity income can be utilised in the settlement of the receivable balances.

Loans are only granted to holders with an appropriate credit history, taking into account the holder's financial position and past experience.

The Group places cash and cash equivalents with major banking groups and quality institutions that have high credit ratings.

The Group has significant concentrations of credit risk with Investec Bank Limited in line with its treasury function.

The Group's maximum credit risk exposure is the carrying amount of all financial assets on the statement of financial position and sureties provided with the maximum amount the Group could have to pay if the sureties are called on, amounting to R1.9 million (2013: R1.8 million).

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

3. FINANCIAL RISKS (continued)

The Group considers its maximum exposure per class, without taking into account any collateral and financial guarantees, to be as follows:

	2014 R'000	2013 R'000
Loans receivable		
Group 1	—	10 971
Group 2	44 973	26 460
Group 3	1 378	—
	46 351	37 431
Loans to associates and joint ventures		
Group 1	—	—
Group 2	153 800	127 441
Group 3	—	—
	153 800	127 441
Trade receivables		
Group 1	14 783	15 670
Group 2	2 117 891	1 407 614
Group 3	18 113	14 974
Total unimpaired trade receivables	2 150 787	1 438 258

Refer to note 9 for a breakdown of the provision raised for trade receivables.

The effect of discounting of the trade receivables is not taken into account in the table above.

The Group has subordinated a portion of its loan to a joint venture in favour of other creditors, to the value of R25 million.

The rating groups for counterparties are categorised as follows:
Group 1 – New customers/related parties (less than six months).
Group 2 – Existing customers/related parties (more than six months) with no defaults in the past.
Group 3 – Existing customers/related parties (more than six months) with some defaults in the past. All defaults were fully recovered or are in the process of being recovered.

	2014 R'000	2013 R'000
3. FINANCIAL RISKS (continued)		
Cash at bank and short-term bank deposits		
Credit rating based on latest Fitch local currency long-term issuer default ratings		
AAA	**1**	6
A+	**363**	434
A-	**82 287**	55 642
BBB	**—**	221 357
BBB-	**1 100 758**	663 464
B	**—**	15
Other	**655**	298
	1 184 064	941 216

Liquidity risk

Liquidity risk arises when a company encounters difficulties in meeting commitments associated with liabilities and other payment obligations. The Group's objective is to maintain prudent liquidity risk management by 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 Group aims to maintain flexibility in funding by keeping committed credit lines available.

Cash flow forecasting is performed in the operating entities of the Group to ensure sufficient cash to meet operational needs while maintaining sufficient headroom to ensure that borrowing limits (where applicable) are not breached.

Surplus cash held by the operating entities over and above the balance required for working capital management is transferred to the Group treasury. Group treasury invests surplus cash in interest-bearing accounts, identifying instruments with sufficient liquidity to provide adequate headroom as determined by the above-mentioned forecasts.

The Group has a short-term loan facility with Investec Bank Limited of R1 billion (2013: R900 million). At year-end, the facility was unutilised.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

3. FINANCIAL RISKS (continued)

Liquidity risk (continued)

These facilities bear certain debt covenants. The Group has not been placed in breach in respect of these covenants. The Group has pledged certain securities in respect of these facilities. Refer to notes 9, 11 and 12.

The Company and a subsidiary company issued a cross surety in respect of an overdraft facility in the amount of R19.85 million (2013: R19.85 million) in favour of FNB, a division of FirstRand Bank Limited (FNB). This facility was unutilised as at 31 May 2013 and 31 May 2014. In addition, the Company and four of its subsidiaries issued a cross surety in the amount of R1.7 million in respect of credit card facilities granted by FNB.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Maturity of financial liabilities

			Payable in:		
	Less than one month or on demand R'000	More than one month but not exceeding one year R'000	More than one year but not exceeding two years R'000	More than two years but not exceeding five years R'000	More than five years R'000
2014					
Non-interest-bearing borrowings	**12 437**	**—**	**—**	**—**	**—**
Interest-bearing borrowings	**2 653**	**—**	**—**	**—**	**—**
Trade and other payables*	**1 580 441**	**1 258 679**	**46 408**	**4 482**	**—**
Total	**1 595 531**	**1 258 679**	**46 408**	**4 482**	**—**
2013					
Non-interest-bearing borrowings	12 017	—	—	—	—
Interest-bearing borrowings	1 980	—	—	—	—
Trade and other payables*	907 800	1 452 762	22 301	570	—
Total	921 797	1 452 762	22 301	570	—

* *Trade and other payables exclude non-financial instruments, being VAT and certain amounts included within accruals and sundry creditors.*

3. FINANCIAL RISKS (continued)

Market risk

Market risk is the risk that changes in market prices (interest rate and currency risk) will affect the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group is exposed to risks from movements in foreign exchange rates and interest rates that affect its assets, liabilities and anticipated future transactions. The Group is not exposed to significant levels of price risk.

Fair value measurement hierarchy:
- Level 1: fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); or
- Level 3: fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Contingent consideration, included in trade and other payables, are level 3 financial liabilities.

Changes in level 3 instruments are as follows:

	2014 R'000	2013 R'000
Contingent consideration		
Opening balance	**3 030**	—
Acquisition of Panacea Proprietary Limited	**6 155**	2 334
Acquisition of Blue Label Engage Proprietary Limited	**—**	335
Acquisition of Retail Mobile Credit Specialists Proprietary Limited	**15 132**	—
Settlements	**(1 800)**	—
Gains and losses recognised in profit or loss	**90**	361
Closing balance	**22 607**	3 030
Total gains or losses for the period included in profit or loss for liabilities held at the end of the reporting period, under:		
Other income	**(827)**	—
Interest paid	**917**	361
Change in unrealised gains or losses for the period included in profit or loss for liabilities held at the end of the reporting period	**917**	361

3. FINANCIAL RISKS (continued)

Cash flow and fair value interest rate risk

The Group's cash flow interest rate risk arises from loans receivable, cash and cash equivalents and borrowings carrying interest at variable rates. The Group is not exposed to fair value interest rate risk as the Group does not have any fixed interest-bearing instruments carried at fair value.

The Group's exposure to interest rate risk is reflected under the respective cash and cash equivalents and borrowings notes (notes 12 and 16). As part of the process of managing the Group's exposure to interest rate risk, interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates.

Foreign currency risk

The Group is exposed to foreign currency risk from transactions and translation. Transaction exposure arises because affiliated companies undertake transactions in currencies other than their functional currency.

The Group manages its exposure to foreign currency risk by ensuring that the net foreign currency exposure remains within acceptable levels. Hedging instruments may be used in certain instances to reduce risks arising from foreign currency fluctuations.

The Group did not enter into any forward exchange contracts during the period under review.

IFRS 7 – Sensitivity Analysis

The Group has used a sensitivity analysis technique that measures the estimated change to the statement of comprehensive income of either an instantaneous increase or decrease of 1% (100 basis points) in market interest rates or a 10% strengthening or weakening of the rand against all other currencies, from the rates applicable at 31 May 2014, for each class of financial instrument with all other variables remaining constant. This analysis is for illustrative purposes only, as in practice market rates rarely change in isolation.

Interest rate risk

The interest rate sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect the interest income or expense of variable interest financial instruments;
- Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interest rates if these are recognised at fair value; and
- Under these assumptions, a 1% increase or decrease in market interest rates at 31 May 2014 would increase or decrease profit before tax by R13.6 million (2013: R10.8 million).

3. FINANCIAL RISKS (continued)

Foreign currency risk

Financial instruments by currency

	ZAR R'000	USD R'000	NgN R'000	GBP R'000	Total R'000
2014					
Financial assets					
Cash and cash equivalents	**1 183 767**	**363**	**1**	**—**	**1 184 131**
Trade and other receivables*	**2 190 568**	**262**	**—**	**—**	**2 190 830**
Loans receivable	**46 351**	**—**	**—**	**—**	**46 351**
Loans to associates and joint ventures	**305**	**153 495**	**—**	**—**	**153 800**
	3 420 991	**154 120**	**1**	**—**	**3 575 112**
Financial liabilities					
Non-interest-bearing borrowings	**12 437**	**—**	**—**	**—**	**12 437**
Interest-bearing borrowings	**2 653**	**—**	**—**	**—**	**2 653**
Trade and other payables*	**2 888 914**	**261**	**730**	**105**	**2 890 010**
	2 904 004	**261**	**730**	**105**	**2 905 100**
Net financial position	**516 987**	**153 859**	**(729)**	**(105)**	**670 012**
2013					
Financial assets					
Cash and cash equivalents	940 827	434	21	—	941 282
Trade and other receivables*	1 444 543	195	—	—	1 444 738
Loans receivable	37 431	—	—	—	37 431
Loans to associates and joint ventures	—	127 441	—	—	127 441
	2 422 801	128 070	21	—	2 550 892
Financial liabilities					
Non-interest-bearing borrowings	12 017	—	—	—	12 017
Interest-bearing borrowings	1 980	—	—	—	1 980
Trade and other payables*	2 382 721	143	344	225	2 383 433
	2 396 718	143	344	225	2 397 430
Net financial position	26 083	127 927	(323)	(225)	153 462

* *Trade and other receivables and trade and other payables exclude non-financial instruments.*

With a 10% strengthening or weakening in the rand against all other currencies, profit before tax would have decreased or increased by R15.3 million. In the prior year, with a 10% strengthening or weakening in the rand against all other currencies, profit before tax would have decreased or increased by R12.7 million.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

3. FINANCIAL RISKS (continued)

Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust this capital structure, the Company may issue new shares, adjust the amount of dividends paid to shareholders, return capital to shareholders or sell assets to reduce debt.

The Group defines capital as capital and reserves and non-current borrowings. The Group is not subject to externally imposed capital requirements.

There were no changes to the Group's approach to capital management during the year.

	Computer equipment R'000	Furniture and fittings R'000	Motor vehicles R'000
4. PROPERTY, PLANT AND EQUIPMENT			
Year ended 31 May 2014			
Opening carrying amount	**13 772**	**3 157**	**7 509**
Additions	**11 755**	**438**	**2 558**
Acquisition of subsidiary	**503**	**116**	**—**
Disposals	**(337)**	**(18)**	**(226)**
Depreciation charge	**(9 114)**	**(1 337)**	**(2 499)**
Impairment charges*	**(18)**	**(111)**	**—**
Closing carrying amount	**16 561**	**2 245**	**7 342**
At 31 May 2014			
Cost	**54 808**	**9 551**	**13 492**
Accumulated depreciation	**(38 077)**	**(6 602)**	**(6 150)**
Accumulated impairments	**(170)**	**(704)**	**—**
Carrying amount	**16 561**	**2 245**	**7 342**
Year ended 31 May 2013			
Opening carrying amount	11 184	4 588	7 154
Additions	10 616	344	4 608
Acquisition of subsidiary	132	23	9
Disposals	(338)	(385)	(2 033)
Depreciation charge	(7 822)	(1 413)	(2 229)
Impairment charges**	—	—	—
Closing carrying amount	13 772	3 157	7 509
At 31 May 2013			
Cost	43 498	9 327	12 192
Accumulated depreciation	(29 574)	(5 577)	(4 683)
Accumulated impairments	(152)	(593)	—
Carrying amount	13 772	3 157	7 509

* *All impairment charges in the current year relate to Datacel Direct Proprietary Limited, the fixed assets of which were considered not recoverable and scrapped at net book value. These impairment charges solely relate to the Solutions segment.*

** *The impairment charges in the prior year mainly relate to the scrapping of terminals and vending machines. These terminals were scrapped due to technological redundancy, non-locatable devices and uneconomical for repair. These were scrapped at net book value. These impairment charges solely relate to the South African distribution segment.*

There are no property, plant and equipment assets that are encumbered.

The residual values of buildings are estimated to be higher than the carrying value and therefore there is no depreciation charge.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

Office equipment R'000	Leasehold improvements R'000	Terminals and vending machines R'000	Media equipment R'000	Plant and machinery R'000	Buildings R'000	Total R'000
1 202	**23 606**	**36 891**	**114**	**42**	**1 832**	**88 125**
518	**710**	**26 396**	**—**	**813**	**3 123**	**46 311**
108	**—**	**—**	**—**	**—**	**—**	**727**
(42)	**—**	**(235)**	**—**	**—**	**—**	**(858)**
(753)	**(6 869)**	**(16 339)**	**(8)**	**(57)**	**—**	**(36 976)**
—	**—**	**—**	**—**	**—**	**—**	**(129)**
1 033	**17 447**	**46 713**	**106**	**798**	**4 955**	**97 200**
7 014	**47 584**	**112 793**	**114**	**864**	**4 955**	**251 175**
(5 561)	**(29 699)**	**(61 493)**	**(8)**	**(66)**	**—**	**(147 656)**
(420)	**(438)**	**(4 587)**	**—**	**—**	**—**	**(6 319)**
1 033	**17 447**	**46 713**	**106**	**798**	**4 955**	**97 200**
2 453	31 052	53 767	114	44	1 832	112 188
245	652	2 968	—	31	—	19 464
—	—	414	—	—	—	578
(103)	(45)	(852)	—	(30)	—	(3 786)
(1 393)	(7 615)	(16 436)	—	(3)	—	(36 911)
—	(438)	(2 970)	—	—	—	(3 408)
1 202	23 606	36 891	114	42	1 832	88 125
6 476	46 989	90 110	114	53	1 832	210 591
(4 854)	(22 945)	(48 632)	—	(11)	—	(116 276)
(420)	(438)	(4 587)	—	—	—	(6 190)
1 202	23 606	36 891	114	42	1 832	88 125

	Goodwill R'000	Trademarks R'000	Customer listing R'000
5. INTANGIBLE ASSETS			
Year ended 31 May 2014			
Opening carrying amount	**217 635**	**1 975**	**1 482**
Additions	**—**	**—**	**159**
Acquisition of subsidiary	**205 749**	**—**	**—**
Disposals	**—**	**—**	**—**
Amortisation charge	**—**	**(677)**	**(610)**
Impairment charges	**—**	**—**	**—**
Closing carrying amount	**423 384**	**1 298**	**1 031**
At 31 May 2014			
Cost	**454 250**	**6 835**	**33 306**
Accumulated amortisation	**(4 746)**	**(5 537)**	**(32 275)**
Accumulated impairments	**(26 120)**	**—**	**—**
Carrying amount	**423 384**	**1 298**	**1 031**
Year ended 31 May 2013			
Opening carrying amount	213 498	2 730	1 967
Additions	—	8	330
Acquisition of subsidiary	14 729	—	—
Disposals	(10 592)	(76)	—
Amortisation charge	—	(687)	(815)
Impairment charges	—	—	—
Closing carrying amount	217 635	1 975	1 482
At 31 May 2013			
Cost	248 501	6 835	33 147
Accumulated amortisation	(4 746)	(4 860)	(31 665)
Accumulated impairments	(26 120)	—	—
Carrying amount	217 635	1 975	1 482

* *Included in the amortisation charge is an amount of R70 million (2013: R51 million) in respect of the purchased starter pack bases and post-paid bases, which is charged to the changes in inventories of finished goods line in the statement of comprehensive income.*

** *The post-paid base acquired included a warranty clause pertaining to the initial performance of the base. During the year, the Group was entitled to a warranty refund on the initial cost of the base, which is disclosed as a reduction in the cost of the asset.*

*** *This represents independently distributed starter pack bases and post-paid bases purchased during the prior year. The remaining amortisation periods range between 31 months and 103 months.*

The carrying amount of goodwill and intangible assets have been reduced to their recoverable amounts through recognition of an impairment loss when required.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

Distribution agreement R'000	Computer software R'000	Internally generated software development costs R'000	Franchise fees R'000	Customer relationships R'000	Purchased starter pack bases and post-paid bases*** R'000	Total R'000
723	**25 550**	**21 669**	**1 611**	**4 789**	**430 584**	**706 018**
89 359	**10 306**	**2 954**	**—**	**—**	**(15 501)****	**87 277**
101 174	**24**	**2 979**	**—**	**—**	**—**	**309 926**
—	**—**	**(1 210)**	**—**	**—**	**—**	**(1 210)**
(10 999)	**(3 452)**	**(9 095)**	**(260)**	**(90)**	**(69 821)***	**(95 004)**
—	**(77)**	**(797)**	**—**	**(199)**	**—**	**(1 073)**
180 257	**32 351**	**16 500**	**1 351**	**4 500**	**345 262**	**1 005 934**
202 339	**82 078**	**44 881**	**3 118**	**131 023**	**510 668**	**1 468 498**
(20 204)	**(49 240)**	**(13 814)**	**(1 767)**	**(125 709)**	**(165 406)**	**(418 698)**
(1 878)	**(487)**	**(14 567)**	**—**	**(814)**	**—**	**(43 866)**
180 257	**32 351**	**16 500**	**1 351**	**4 500**	**345 262**	**1 005 934**
4 310	30 764	21 837	6 897	5 810	217 885	505 698
—	6 262	1 219	—	325	263 997	272 141
—	4	6 127	—	4 500	—	25 360
(2 841)	(172)	(70)	(4 500)	—	—	(18 251)
(746)	(11 308)	(7 444)	(786)	(5 846)	(51 298)*	(78 930)
—	—	—	—	—	—	—
723	25 550	21 669	1 611	4 789	430 584	706 018
11 806	72 010	57 636	3 118	131 348	526 169	1 090 570
(9 205)	(46 050)	(21 400)	(1 507)	(125 944)	(95 585)	(340 962)
(1 878)	(410)	(14 567)	—	(615)	—	(43 590)
723	25 550	21 669	1 611	4 789	430 584	706 018

5. INTANGIBLE ASSETS

The cash-generating units to which goodwill is allocated are presented below:

	2014 R'000	2013 R'000
Blue Label Distribution Proprietary Limited	**36 364**	36 364
Blue Label Engage Proprietary Limited	**2 742**	2 742
Cellfind Proprietary Limited	**21 406**	21 406
Retail Mobile Credit Specialists Proprietary Limited[1]	**205 749**	—
Crown Cellular[2]	**62 113**	62 113
Panacea Mobile Proprietary Limited	**6 883**	6 883
TicketPros Proprietary Limited	**5 104**	5 104
Datacel Group	**83 023**	83 023
	423 384	217 635

[1] *Retail Mobile Credit Specialists Proprietary Limited was acquired in the current year (refer to note 26.1).*

[2] *Crown Cellular Proprietary Limited was deregistered and the business divisionalised into The Prepaid Company Proprietary Limited.*

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

The recoverable amount, which is the higher of fair value less cost to sell and the value-in-use of CGUs, has been determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by the board of 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 key assumptions used for the value-in-use calculations are as follows:

	2014		2013	
	Growth rate %	Discount rate %	Growth rate %	Discount rate %
Blue Label Distribution Proprietary Limited	**4.20**	**15.28**	4.20	14.79
Blue Label Engage Proprietary Limited	**4.00**	**18.92**	4.00	17.99
Cellfind Proprietary Limited	**4.00**	**18.42**	4.00	17.49
Retail Mobile Credit Specialists Proprietary Limited	**4.20**	**15.28**	—	—
Crown Cellular	**4.50**	**16.78**	4.50	16.29
Panacea Mobile Proprietary Limited	**4.00**	**18.42**	4.00	17.49
TicketPros Proprietary Limited	**4.20**	**15.28**	4.20	14.79
Datacel Group	**2.50**	**21.42**	2.50	21.73

The discount rates used are pre-tax and reflect specific risks relating to the relevant companies. The growth rate is used to extrapolate cash flows beyond the budget period.

For Blue Label Distribution Proprietary Limited and Blue Label Engage Proprietary Limited if one or more of the inputs were changed to a reasonable possible alternative assumption, there would be no impairments that would have to be recognised.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

5. INTANGIBLE ASSETS (continued)

For the remaining balances of goodwill, the discount rate used when calculating the value-in-use calculations would need to be increased by the following amounts before any impairments would need to be recognised:

	Increase in discount rate %
Cellfind Proprietary Limited	0.90
Retail Mobile Credit Specialists Proprietary Limited	7.10
Crown Cellular	21.40
Panacea Mobile Proprietary Limited	7.60
TicketPros Proprietary Limited	26.20
Datacel Group	4.50

The valuation of the goodwill balances did not result in goodwill impairment charges for the year (2013: nil).

	2014 R'000	2013 R'000
6. INVESTMENTS IN AND LOANS TO ASSOCIATES AND JOINT VENTURES		
Cost and share of reserves at the beginning of the year	**396 721**	224 551
Acquisition of associates and joint ventures	**89 316**	138 174
Share of losses from associates and joint ventures	**(56 873)**	(47 326)
Share of results after tax	**(53 558)**	(43 150)
Amortisation of intangible assets	**(4 604)**	(5 800)
Deferred tax on intangible assets amortisation	**1 289**	1 624
Foreign currency translation reserve	**26 099**	79 722
Equity compensation benefit	**164**	77
Dividends received	**(11 118)**	(750)
Disposal of joint ventures	**—**	2 273
Cost and share of reserves at the end of the year	**444 309**	396 721
Loans at the beginning of the year	**127 441**	132 920
Loans granted to associates and joint ventures	**99 217**	94 161
Disposal of joint ventures	**—**	(1 110)
Loans impaired	**—**	(2 039)
Loan granted to joint venture capitalised**	**(89 316)**	(112 822)
Unrealised foreign exchange profit on loans to associates and joint ventures	**16 458**	16 331
Loans at the end of the year	**153 800**	127 441
Closing net book value	**598 109**	524 162

*** On 10 September 2013, a loan of R85.8 million was advanced to Blue Label Mexico S.A. de C.V. (BLM). This loan was capitalised on 18 December 2013. The difference of R3.5 million relates to foreign exchange movements.*

6. INVESTMENTS IN AND LOANS TO ASSOCIATES AND JOINT VENTURES (continued)

Investments in associates and joint ventures include goodwill to the value of R273 million (2013: R257 million).

There was no impairment of investment in associates and joint ventures.

The key assumptions used for the value-in-use calculations are as follows:

	2014			2013	
	Growth rate %	**Terminal value price multiple x**	**Discount rate %**	Growth rate %	Discount rate %
Oxigen Services India Private Limited	*	**7.40**	**29**	1	18.03
Blue Label Mexico S.A. de C.V.	**3.50**	*	**17.44**	4.50	17.80

* *Not applicable.*

The inputs used when calculating the value-in-use calculations would need to be increased/(decreased) by the following amounts before any impairment would need to be recognised:

	2014		
	Growth rate %	**Terminal value price multiple x**	**Discount rate %**
Oxigen Services India Private Limited	*	**(5.1)**	**31.5**
Blue Label Mexico S.A. de C.V.	**(4.6)**	*	**2.8**

* *Not applicable.*

6. INVESTMENTS IN AND LOANS TO ASSOCIATES AND JOINT VENTURES (continued)

Loans to associates and joint ventures

	Interest rate	2014 R'000	2013 R'000
Oxigen Services India Private Limited	Libor + 1.50%	**25 068**	18 643
Blue Label Mexico S.A. de C.V.	4.50%	**1 054**	—
2DFine Holdings Mauritius*	10%	**127 373**	108 798
Forensic Intelligence Data Solutions Proprietary Limited	—	**305**	—
		153 800	127 441

* *Refer to note 28 for details on the surety relating to this loan.*

The loans are neither past due nor impaired with a low risk of default.

Loans to associates and joint ventures have no fixed terms of repayment.

Shares in associates and joint ventures acquired during the year

		Date acquired	Effective percentage
Forensic Intelligence Data Solutions Proprietary Limited	Associate	1 June 2013	25
Blue Label Mexico S.A. de C.V.	Joint venture	1 January 2014	0.57

During the year, Forensic Intelligence Data Solutions Proprietary Limited was acquired for a consideration of 25 cents.

In the current year, there was a further capital contribution of R89.3 million to BLM. This resulted in a dilution of shares held by an outside shareholder increasing our shareholding to 45.57%.

Shares in joint venture acquired during the prior year

		Date acquired	Effective percentage
Blue Label Mexico S.A. de C.V.	Joint venture	1 September 2012	5

On 1 September 2012, Blue Label Telecoms acquired a further 5% in BLM for a purchase consideration of R21.1 million. A further capital contribution of R89.2 million was advanced to BLM during the prior year. The loan balance at 31 May 2012 amounting to R27.8 million was capitalised during the prior year.

Shares in joint ventures disposed of during the prior year

		Date disposed	Effective percentage
E-mail Marketing Solutions Proprietary Limited	Joint venture	31 October 2012	40.5
Betterquote Proprietary Limited	Joint venture	31 August 2012	21.06
Bela Phone Company Proprietary Limited	Joint venture	1 May 2013	51.00

6. INVESTMENTS IN AND LOANS TO ASSOCIATES AND JOINT VENTURES (continued)

Associates

The Group's interests in its principal significant associates, which are unlisted, are as follows:

Associate	**Smart Voucher Limited trading as UKash**		**Oxigen Services India Private Limited**	
Principal activity	**Online cash payment provider**		**Airtime and payment solution provider**	
Country of incorporation	**United Kingdom**		**India**	
	2014 R'000	2013** R'000	**2014 R'000**	2013** R'000
Statement of financial position				
Non-current assets	**22 174**	25 069	**117 463**	135 149
Current assets	**797 626**	626 972	**166 965**	89 595
Cash and cash equivalents	**611 510**	509 524	**77 159**	25 564
Other current assets	**186 116**	117 448	**89 806**	64 031
	819 800	652 041	**284 428**	224 744
Total equity	**206 098**	179 628	**75 037**	81 130
Non-current liabilities	**—**	1 302	**32 085**	32 136
Current liabilities	**613 702**	471 111	**177 306**	111 478
	819 800	652 041	**284 428**	224 744
Effective percentage held	**17.25**	17.25	**55.83**	55.83
Net assets	**206 098**	179 628	**75 037**	81 130
Interest in associate	**35 552**	30 986	**41 893**	45 295
Goodwill	**44 224**	34 666	**36 828**	36 457
Movements in share premium not accounted for*	**—**	—	**(20 404)**	(20 404)
Balance at the end of the year	**79 776**	65 652	**58 317**	61 348

* *IAS 28* – Investment In Associates *was amended to allow only movements in the associates' other comprehensive income to be accounted for.*

** *Summarised information has been restated to reflect adjustments made by the Group when applying the equity method as required by IFRS 12. Previously the information was presented before any adjustments in accordance with IAS 28.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

6. INVESTMENTS IN AND LOANS TO ASSOCIATES AND JOINT VENTURES (continued)

Associate	**Smart Voucher Limited trading as UKash**		**Oxigen Services India Private Limited**	
Principal activity	**Online cash payment provider**		**Airtime and payment solution provider**	
Country of incorporation	**United Kingdom**		**India**	
	2014 R'000	2013** R'000	**2014 R'000**	2013** R'000
Statement of comprehensive income				
Revenue	**498 975**	357 247	**3 860 132**	3 044 819
Operating profit before depreciation, amortisation and impairment charges	**93 337**	71 305	**10 803**	13 685
Depreciation and amortisation	**(13 747)**	(18 356)	**(15 212)**	(13 329)
Finance costs	**(5)**	(7)	**(6 282)**	(5 954)
Finance income	**891**	1 566	**3 914**	3 696
Net profit before taxation	**80 476**	54 508	**(6 777)**	(1 902)
Taxation	**(17 621)**	(12 240)	**940**	888
Net profit after taxation	**62 855**	42 268	**(5 837)**	(1 014)
Other comprehensive income	**27 645**	21 985	**(326)**	(4 573)
Total comprehensive income	**90 500**	64 253	**(6 163)**	(5 587)
Effective percentage held	**17.25**	17.25	**55.83**	55.83
Share of total comprehensive income	**15 611**	11 084	**(3 441)**	(3 119)

** *Summarised information has been restated to reflect adjustments made by the Group when applying the equity method as required by IFRS 12. Previously the information was presented before any adjustments in accordance with IAS 28.*

6. INVESTMENTS IN AND LOANS TO ASSOCIATES AND JOINT VENTURES (continued)

The Group's interests in its other associates, which are unlisted, are as follows:

Associate	Country of incorporation	Non-current assets R'000	Current assets R'000	Non-current liabilities R'000
2014				
Forensic Intelligence Data Solutions Proprietary Limited	South Africa	**1 932**	**1 911**	**—**
2013				
Dual Data Proprietary Limited	South Africa	—	3	—

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

For details on related party transactions, refer to note 28.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

Current liabilities R'000	Revenues R'000	Loss R'000	Total comprehensive loss R'000	Effective percentage interest held	Net book value R'000
13 372	**3 260**	**(9 529)**	**(9 529)**	**25**	**—**
—	—	(4)	(4)	50	4

6. INVESTMENTS IN AND LOANS TO ASSOCIATES AND JOINT VENTURES (continued)

Set out below is the summarised financial information of the Group's significant joint ventures.

Joint venture	**Blue Label Mexico S.A. de C.V.**		**2DFine Holdings Mauritius**	
Principal activity	**Distributor of terminals to vend e-tokens of value**		**Investment holding company**	
Country of incorporation	**Mexico**		**Mauritius**	
	2014 R'000	2013** R'000	**2014 R'000**	2013** R'000
Statement of financial position				
Non-current assets	**268 512**	252 078	**102 171**	96 557
Current assets	**160 525**	130 600	**1**	1
Cash and cash equivalents	**79 353**	16 246	**1**	1
Other current assets	**81 172**	114 354	**—**	—
	429 037	382 678	**102 172**	96 558
Total equity	**359 853**	297 585	**(26 965)**	(13 536)
Non-current liabilities	**10 407**	11 542	**—**	—
Current liabilities	**58 777**	73 551	**129 137**	110 094
Trade and other payables	**58 487**	72 027	**456**	346
Other current liabilities	**290**	1 524	**128 681**	109 748
	429 037	382 678	**102 172**	96 558
Effective percentage held	**45.57**	45	**50**	50
Net assets	**359 853**	297 585	**(26 965)**	(13 536)
Share capital and share premium	**637 728**	459 107	*****	*
	(277 875)	(161 522)	**(26 965)**	(13 536)
Interest in joint venture	**(126 628)**	(72 685)	**(13 483)**	(6 768)
Goodwill	**190 994**	182 531	**—**	—
Capital funding	**254 142**	164 826	**—**	—
Balance at the end of the year	**318 508**	274 672	**(13 483)**	(6 768)

* *Less than R1 000.*

** *Summarised information has been restated to reflect adjustments made by the Group when applying the equity method as required by IFRS 12. Previously the information was presented before any adjustments in accordance with IAS 31.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

6. INVESTMENTS IN AND LOANS TO ASSOCIATES AND JOINT VENTURES (continued)

Joint venture	**Blue Label Mexico S.A. de C.V.**		**2DFine Holdings Mauritius**	
Principal activity	**Distributor of terminals to vend e-tokens of value**		**Investment holding company**	
Country of incorporation	**Mexico**		**Mauritius**	
	2014 R'000	2013** R'000	**2014 R'000**	2013** R'000
Statement of comprehensive income				
Revenue	**2 865 340**	1 742 863	**—**	—
Operating loss before depreciation, amortisation and impairment charges	**(78 915)**	(79 064)	**(685)**	(708)
Depreciation and amortisation	**(50 386)**	(36 323)	**—**	—
Finance costs	**(5 955)**	(951)	**(11 786)**	(8 566)
Finance income	**1 194**	261	**—**	—
Net profit before taxation	**(134 062)**	(116 077)	**(12 471)**	(9 274)
Taxation	**(430)**	(104)	**—**	—
Net profit after taxation	**(134 492)**	(116 181)	**(12 471)**	(9 274)
Other comprehensive income	**15 265**	61 620	**(959)**	(1 714)
Total comprehensive income	**(119 227)**	(54 561)	**(13 430)**	(10 988)
Effective percentage held	**45,57**	45	**50**	50
Share of total comprehensive income	**(53 942)#**	(23 713)#	**(6 715)**	(5 494)

*** Summarised information has been restated to reflect adjustments made by the Group when applying the equity method as required by IFRS 12. Previously the information was presented before any adjustments in accordance with IAS 31.*

 # During the year BLT increased its holding by 0.57% to 45.57% in BLM. In the prior year BLT increased its shareholding by 5% to 45% in BLM.

Blue Label Telecoms Limited has guaranteed 45% of the amount owed by BLM to Radiomovil Dipsa S.A. de C.V. (trading as Telcel). At year-end there is no balance due to them by BLM.

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

For details on related party transactions, refer to note 28.

6. INVESTMENTS IN AND LOANS TO ASSOCIATES AND JOINT VENTURES (continued)

The Group's interests in its other joint ventures, which are unlisted, are as follows:

Joint venture	Country of incorporation	Non-current assets R'000	Current assets R'000	Non-current liabilities R'000
2014				
Datacision Proprietary Limited	South Africa	**455**	**11 350**	**—**
2013				
Datacision Proprietary Limited	South Africa	122	6 374	—

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

Current liabilities R'000	Revenues R'000	Profit R'000	Total comprehensive income R'000	Effective percentage interest held	Net book value R'000
4 667	**22 961**	**3 516**	**3 516**	**50**	**1 494**
2 875	20 753	2 603	2 603	50	1 813

		2014 R'000	2013 R'000
7.	**LOANS RECEIVABLE**		
	Interest-free loans	**25 710**	21 285
	Interest-bearing loans receivable	**20 641**	16 146
		46 351	37 431
	Less: Amounts included in current portion of loans receivable	**(27 850)**	(36 431)
		18 501	1 000

Interest-free loans are unsecured and have no fixed terms of repayment. Interest-bearing loans bear interest at a range of between prime and prime + 2% and are unsecured. Loans amounting to R26.1 million have no fixed repayment terms; the remaining balance is repayable between one and five years.

The loans receivable are neither past due nor impaired with a low risk of default. Of this amount, R24 million (2013: R20 million) relates to loans receivable from related parties, which are interest-free (refer to note 28).

		2014 R'000	2013 R'000
8.	**STARTER PACK ASSETS**		
	Balance at the beginning of the year	**3 688**	7 692
	Additions	**1 513**	8 388
	Impairments*	**(1 520)**	(4 007)
	Disposals*	**(364)**	(8 385)
	At the end of the year	**3 317**	3 688
	Less: Amounts included in current portion of starter pack assets	**(1 010)**	(1 115)
		2 307	2 573

* *These impairments and disposals are charged to the statement of comprehensive income and are included in changes in inventories of finished goods. The impairments represent the value of starter packs that management considers the probability of activation to be low. The disposals represent starter packs that have activated during the year.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

		2014 R'000	2013 R'000
9.	**TRADE AND OTHER RECEIVABLES**		
	Trade receivables	**2 152 107**	1 427 759
	Less: Provision for impairment	**(15 665)**	(7 639)
		2 136 442	1 420 120
	Sundry debtors	**22 456**	14 609
	Prepayments	**12 544**	9 197
	VAT	**55 255**	81 003
	Receivables from related parties (refer to note 28)	**6 880**	14 436
		2 233 577	1 539 365
	Less: Amounts included in current portion of trade and other receivables	**(2 181 973)**	(1 539 365)
		51 604	—

The Group's exposure to credit and currency risk relating to trade and other receivables is disclosed in note 3.

9. TRADE AND OTHER RECEIVABLES (continued)

The ageing of trade receivables at the reporting date is as follows:

	Gross R'000	Impairment R'000	Net R'000
31 May 2014			
Fully performing	**2 127 087**	**—**	**2 127 087**
Past due by one to 30 days	**18 045**	**166**	**17 879**
Past due by 31 to 60 days	**4 349**	**601**	**3 748**
Past due by 61 to 90 days	**3 010**	**406**	**2 604**
Past due by more than 90 days	**13 961**	**8 030**	**5 931**
	2 166 452	**9 203**	**2 157 249**
Portfolio impairment		**6 462**	**(6 462)**
	2 166 452	**15 665**	**2 150 787**
31 May 2013			
Fully performing	1 381 922	—	1 381 922
Past due by one to 30 days	27 992	543	27 449
Past due by 31 to 60 days	7 969	281	7 688
Past due by 61 to 90 days	5 551	749	4 802
Past due by more than 90 days	22 463	6 066	16 397
	1 445 897	7 639	1 438 258

Receivables in respect of starter packs are included in fully performing debtors above.

Trade receivables are discounted at a discount rate of 9% per annum (2013: 8% per annum) based on average debtors' days outstanding. The effect of discounting of the trade receivables balance which amounts to R7.465 million (2013: R3.702 million) is not taken into account in the above table.

The trade receivables that are neither past due nor impaired relate to a number of independent customers for whom there is no recent history of default.

Sundry debtors are considered to be fully performing.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

		2014 R'000	2013 R'000
9.	**TRADE AND OTHER RECEIVABLES (continued)**		
	Provision for impairment of receivables		
	Balance at the beginning of the year	**7 639**	12 025
	Allowances made during the year	**5 097**	3 796
	Acquisition/(disposal) of subsidiaries	**6 462**	(2 335)
	Amounts utilised and reversal of unutilised amounts	**(3 533)**	(5 847)
	At 31 May	**15 665**	7 639

Impairment of receivables is determined after assessing the nature of the customer, their geographic location and specific circumstances.

The Group believes that the above provision for impairment of receivables sufficiently covers the risk of default.

There is a cession of trade receivables of R2.011 billion (2013: R1.352 billion) in favour of Investec Bank Limited as security for facilities referred to in note 3.

		Capital allowances R'000	Fair value gains R'000
10.	**DEFERRED TAXATION**		
	At 31 May 2012	1 183	15 390
	Charge/(credited) to statement of comprehensive income	(1 697)	(3 556)
	Acquisition of subsidiary	—	2 734
	Disposal of subsidiary	429	(1 260)
	At 31 May 2013	**(85)**	**13 308**
	Charge/(credited) to statement of comprehensive income	**511**	**(3 907)**
	Acquisition of subsidiary	**—**	**28 329**
	At 31 May 2014	**426**	**37 730**

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

Provisions R'000	Tax losses R'000	Prepayments R'000	Unrealised foreign exchange differences R'000	Other R'000	Total R'000
(4 509)	(9 836)	2 526	3 264	1 797	9 815
(12 975)	(1 466)	(369)	2 792	(1 400)	(18 671)
—	—	—	—	—	2 734
418	355	(355)	—	(55)	(468)
(17 066)	**(10 947)**	**1 802**	**6 056**	**342**	**(6 590)**
8 394	**(9 110)**	**528**	**1 479**	**(449)**	**(2 554)**
(2 327)	**—**	**—**	**—**	**—**	**26 002**
(10 999)	**(20 057)**	**2 330**	**7 535**	**(107)**	**16 858**

	2014 R'000	2013 R'000
10. DEFERRED TAXATION (continued)		
Deferred tax asset comprises:		
Capital allowances	**(344)**	(876)
Provisions	**(10 999)**	(17 066)
Tax losses	**(20 057)**	(10 947)
Other	**(2 525)**	(2 351)
Total deferred tax asset	**(33 925)**	(31 240)
Deferred tax liability comprises:		
Capital allowances	**770**	791
Fair value gains	**37 730**	13 308
Prepayments	**2 330**	1 802
Unrealised foreign exchange differences	**7 535**	6 056
Other	**2 418**	2 693
Total deferred tax liability	**50 783**	24 650
Net deferred tax liability/(asset)	**16 858**	(6 590)
The analysis of deferred tax assets and deferred tax liabilities is as follows:		
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	**96**	(6 159)
Deferred tax assets to be recovered within 12 months	**(24 748)**	(12 373)
Net deferred tax asset	**(24 652)**	(18 532)
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	**28 758**	10 542
Deferred tax liabilities to be recovered within 12 months	**12 752**	1 400
Net deferred tax liability	**41 510**	11 942
Net deferred tax liability/(asset)	**16 858**	(6 590)

Where deferred tax assets have been recognised in respect of entities which have incurred losses in the current or prior years, a formal process of assessment of the future profitability of the entity has been performed based on detailed budgets and cash flow forecasts. As a result, management believes that the current tax losses will be utilised within one to five years.

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of R37.1 million (2013: R33.2 million) in respect of losses amounting to R132.6 million (2013: R118.5 million) that can be carried forward against future taxable income.

There is no withholding tax that would be payable on any dividends received from the Group's associates and joint ventures and therefore no deferred tax has been raised in this regard.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

		2014 R'000	2013 R'000
11.	**INVENTORIES**		
	Finished goods – airtime and related products	**1 306 206**	1 858 511
		1 306 206	1 858 511

Inventory impairments of R0.4 million (2013: R1.5 million) have been charged to the statement of comprehensive income and are included in other expenses.

Inventories with a cost of R18.1 billion (2013: R17.7 billion) were sold during the year and have been charged to the statement of comprehensive income and are included in changes of inventories of finished goods.

A general notarial bond is held by Investec Bank Limited over airtime up to R900 million (2013: R900 million).

		2014 R'000	2013 R'000
12.	**CASH AND CASH EQUIVALENTS**		
	Cash at bank	**1 184 064**	941 216
	Cash on hand	**67**	66
		1 184 131	941 282

Guarantees to the value of R104 million (2013: R660 million) are issued by the Group's bankers in favour of suppliers, on behalf of the Group.

Included in this balance is restricted cash of R9.8 million (2013: R5.1 million).

	2014 Number of shares	2013 Number of shares	2014 R'000	2013 R'000
13. SHARE CAPITAL				
Authorised				
Total authorised share capital of ordinary shares (par value of R0.000001 each)	**1 000 000 000**	1 000 000 000	**1**	1
Issued				
Balance at the beginning of the year	**661 635 258**	661 501 917	*****	*
Shares acquired during the year	**(1 368 822)**	(2 567 171)	*****	*
Shares vested during the year	**3 629 922**	2 700 512	*****	*
Balance at the end of the year	**663 896 358**	661 635 258	*****	*

** Less than R1 000.*

All issued shares are fully paid up.

The total number of shares in issue, including shares held as treasury shares as at 31 May 2014, is 674 509 042 (2013: 674 509 042).

The Company acquired 1 368 822 (2013: 2 567 171) shares at an average price of R8.12 (2013: R6.71) on the JSE in order to grant forfeitable shares to employees and directors.

The amount paid to acquire these shares was R11 120 071 (2013: R17 222 717) and has been deducted from shareholders' equity.

These shares are held as "treasury shares".

See note 31 for details on the forfeitable shares.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

		2014 R'000	2013 R'000
14.	**TRADE AND OTHER PAYABLES**		
	Trade payables	**2 702 789**	2 221 412
	Accruals	**69 103**	109 524
	Employee benefits	**32 269**	29 304
	Sundry creditors	**14 299**	13 756
	Deferred revenue	**16 343**	9 905
	Contingent consideration	**22 607**	3 030
	VAT	**5 850**	5 455
	Payables to related parties (refer to note 28)	**5 816**	836
		2 869 076	2 393 222
	Less: Amounts included in current portion of trade and other payables	**(2 818 898)**	(2 393 222)
		50 178	—

Trade payables are discounted at a discount rate of 9% per annum (2013: 8% per annum) based on average creditors' days outstanding.

		2014 R'000	2013 R'000
15.	**PROVISIONS**		
	Unredeemed electricity provision		
	Opening balance	**19 029**	6 260
	Additions	**617 853**	535 279
	Used during the year	**(619 378)**	(522 510)
		17 504	19 029
	Less: Amounts included in current portion of provisions	**(17 504)**	(19 029)
		—	—
	The unredeemed electricity provision raised represents the value of electricity vouchers sold and unredeemed as at year-end, payable by the Group to the municipalities on redemption by the end customer.		
	Redemption is dependent on activation by customers. This is expected to occur within the first quarter of the following financial year.		
	Onerous contracts		
	Opening balance	**—**	—
	Acquisition of subsidiary	**7 406**	—
	Additions	**—**	—
	Used during the year	**(421)**	—
		6 985	—
	Less: Amounts included in current portion of provisions	**(6 273)**	—
		712	—

The onerous contracts relate to line subscriptions for which the Group is contracted to incur unavoidable charges that are expected to exceed the related economic benefits to be received. A provision is raised due to the uncertainty associated with the amount of net outflow for each subscription.

The provision will be used over the period of each subscription, ranging from one to 24 months.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

		2014 R'000	2013 R'000
16.	**BORROWINGS**		
	Interest-bearing borrowings	**2 653**	1 980
	Non-interest-bearing borrowings	**12 437**	12 017
		15 090	13 997
	Less: Amounts included in current portion of borrowings	**(15 090)**	(13 997)
		—	—
	The Group did not default on any loans or breach any terms of the underlying agreements during the period. Borrowings are unsecured and have no fixed terms of repayment. Interest-bearing borrowings bear interest at prime + 2%.		
17.	**REVENUE**		
	Prepaid airtime	**18 212 159**	17 836 001
	Starter packs	**582 618**	601 110
	Services	**276 018**	282 312
	Electricity commission	**153 460**	113 434
	Other revenue*	**177 411**	151 353
		19 401 666	18 984 210
	* *Other revenue primarily comprises mobile handset sales, meter installations, device rentals and ticket sales.*		
18.	**EMPLOYEE COMPENSATION AND BENEFIT EXPENSE**		
	Salaries and wages	**286 212**	257 447
	Bonuses	**34 563**	58 455
	Equity compensation benefit	**11 069**	16 180
	Other	**698**	819
		332 542	332 901

Average number of employees for the year was 1 186 (2013: 1 157).

		2014 R'000	2013 R'000
19.	**OPERATING PROFIT**		
	The following items have been charged/(credited) in arriving at operating profit:		
	Acquisition-related costs	**2 901**	98
	Advertising and promotional expenses	**19 173**	11 079
	Amortisation of intangible assets	**95 004**	78 930
	Audit fees – services as auditors	**14 367**	11 816
	Audit fees – other	**1 578**	942
	Bank charges	**7 670**	5 344
	Communication costs	**5 143**	6 290
	Consulting fees	**25 230**	17 533
	Courier and postage	**4 103**	3 311
	Depreciation	**36 976**	36 911
	Foreign exchange profit*	**(16 458)**	(8 101)
	Impairment of loans	**1 761**	8 400
	Impairment of trade receivables	**4 164**	8 381
	Impairment of trade receivables – provision	**1 564**	(4 386)
	Impairment of intangible assets	**1 073**	—
	Impairment of property, plant and equipment	**129**	3 408
	Impairment of inventory	**411**	1 453
	Insurance	**7 081**	6 491
	IT infrastructure costs and computer-related costs	**22 756**	19 480
	Legal fees	**25 311**	34 595
	Local travel	**6 157**	6 459
	Profit on disposal of subsidiaries	**—**	(120)
	Profit on disposal of joint ventures	**—**	(2 273)
	Management fees paid	**5 324**	2 208
	Management fees received*	**(879)**	(923)
	Motor vehicle expenses	**9 500**	8 886
	Operating lease rentals – equipment	**2 367**	3 568
	Operating lease rentals – premises	**31 093**	29 948
	Overseas travel	**3 194**	2 891
	Printing and stationery	**1 826**	1 758
	Profit on disposal of property, plant and equipment*	**(287)**	(789)
	Repairs and maintenance	**11 273**	10 897

* *Included in other income on the Group statement of comprehensive income.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

		2014 R'000	2013 R'000
20.	**FINANCE (COSTS)/INCOME**		
	Interest paid		
	– Bank	**71**	77
	– Loans	**21 465**	23 196
	– Other	**1 457**	494
	– Discounting of payables	**143 883**	143 329
		166 876	167 096
	Interest received		
	– Bank	**(24 153)**	(34 361)
	– Loans	**(1 449)**	(1 469)
	– Other	**(13 205)**	(9 659)
	– Discounting of receivables	**(117 443)**	(127 771)
		(156 250)	(173 260)
	Net finance cost /(income)	**10 626**	(6 164)
21.	**TAXATION**		
	Current tax	**208 996**	215 075
	Current year	**209 055**	214 899
	Prior year adjustment	**(59)**	176
	Deferred tax	**(2 554)**	(18 671)
	Current year	**(2 278)**	(18 663)
	Prior year adjustment	**(276)**	(8)
		206 442	196 404
	Profit before tax	**655 357**	604 509
	Tax at 28%	**183 500**	169 263
	Income not subject to tax	**(8 852)**	(4 524)
	Expenses not deductible for tax purposes	**7 053**	7 473
	Capital gains tax	**(840)**	55
	Utilisation of previously unrecognised tax losses	**(71)**	(1 199)
	Tax effect of assessed losses not recognised	**9 695**	11 841
	Share of losses from associates and joint ventures	**15 924**	13 251
	Prior year adjustment	**(335)**	168
	Effect of different tax dispensations	**368**	76
	Tax charge	**206 442**	196 404

		2014	2013
22.	**EARNINGS PER SHARE**		
(a)	**Basic**		
	Basic earnings per share are 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 (R'000)	**450 230**	424 841
	Weighted average number of ordinary shares in issue (thousands)	**663 298**	661 578
	Basic earnings per share (cents per share)	**67.88**	64.22

(b) Headline

Headline earnings are calculated applying the principles contained in SAICA circular 2/2013.

The weighted average number of ordinary shares used is the same as that used for the basic earnings per share.

	2014			
	Profit before tax and non-controlling interest R'000	**Tax R'000**	**Non-controlling interest R'000**	**Headline earnings R'000**
Profit attributable to equity holders of the Company	**655 357**	**(206 442)**	**1 315**	**450 230**
Profit on disposal of property, plant and equipment	**(287)**	**80**	**—**	**(207)**
Impairment of property, plant and equipment	**129**	**(36)**	**—**	**93**
Impairment of intangible assets	**1 073**	**(300)**	**—**	**773**
Headline earnings				**450 889**
Weighted average number of ordinary shares in issue (thousands)				**663 298**
Headline earnings per share (cents per share)				**67.98**

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

22. EARNINGS PER SHARE (continued)

(b) Headline (continued)

	2013			
	Profit before tax and non-controlling interest R'000	Tax R'000	Non-controlling interest R'000	Headline earnings R'000
Profit attributable to equity holders of the Company	604 509	(196 404)	16 736	424 841
Profit on disposal of property, plant and equipment	(789)	221	6	(562)
Profit on disposal of subsidiaries	(120)	—	—	(120)
Profit on disposal of joint ventures	(2 273)	—	166	(2 107)
Impairment of property, plant and equipment	3 408	(954)	—	2 454
Headline earnings				424 506
Weighted average number of ordinary shares in issue (thousands)				661 578
Headline earnings per share (cents per share)				64.17

22. EARNINGS PER SHARE (continued)

(c) Diluted – basic and headline

Diluted earnings per share are calculated by adjusting the number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company are the forfeitable shares granted. For this calculation, an adjustment is made for the number of shares that would be issued on vesting under the forfeitable share plan.

	2014 R'000	2013 R'000
Basic earnings (R'000)	**450 230**	424 841
Dilutive instrument (R'000)	**(695)**	—
Dilutive earnings (R'000)	**449 535**	424 841
Weighted average number of ordinary shares in issue (thousands)	**663 298**	661 578
Adjusted for forfeitable shares (thousands)	**9 014**	10 727
Weighted average number of ordinary shares for dilutive earnings (thousands)	**672 312**	672 305
Dilutive basic earnings per share (cents per share)	**66.86**	63.19
Headline earnings (R'000)	**450 889**	424 506
Dilutive instrument (R'000)	**(695)**	—
Dilutive headline earnings (R'000)	**450 194**	424 506
Weighted average number of ordinary shares for dilutive headline earnings (thousands)	**672 312**	672 305
Dilutive headline earnings per share (cents)	**66.96**	63.14

(d) Core

Core earnings per share is calculated after adding back the amortisation of intangible assets as a consequence of the purchase price allocations completed in terms of IFRS 3(R) – *Business Combinations.*

Reconciliation between net profit for the period and core net profit for the period:

Net profit for the period (R'000)	**450 230**	424 841
Amortisation on intangibles raised through business combinations net of tax and non-controlling interest (R'000)	**10 372**	12 675
Core net profit for the period (R'000)	**460 602**	437 516
Weighted average number of ordinary shares in issue (thousands)	**663 298**	661 578
Core earnings per share (cents per share)	**69.44**	66.13

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

		2014 R'000	2013 R'000
23.	**CASH GENERATED/(UTILISED) BY OPERATIONS**		
	Reconciliation of operating profit to cash generated by operating activities:		
	Operating profit	**722 856**	645 671
	Adjustments for:		
	Depreciation of property, plant and equipment	**36 976**	36 911
	Amortisation of intangible assets	**95 004**	78 930
	Impairment of property, plant and equipment	**129**	3 408
	Impairment of intangible assets	**1 073**	—
	Discounting of receivables recognised in revenue	**117 443**	127 771
	Discounting of payables recognised in changes in inventories of finished goods	**(143 883)**	(143 329)
	Impairment of loans	**1 761**	8 400
	Profit on disposal of property, plant and equipment	**(287)**	(789)
	Net profit on disposal of subsidiaries	**—**	(120)
	Net profit on disposal of joint ventures	**—**	(2 273)
	Equity compensation benefit expense	**11 069**	16 180
	Net unrealised forex profit	**(16 458)**	(8 037)
	Changes in working capital (excluding the effects of acquisitions and disposals):		
	Decrease/(increase) in inventories	**552 305**	(1 319 938)
	Increase in trade and other receivables	**(669 602)**	(155 979)
	Increase in trade and other payables	**423 461**	448 236
	(Increase)/decrease in loans receivable	**(3 209)**	3 570
	Decrease in starter pack assets	**370**	4 004
		1 129 008	(257 384)
24.	**TAXATION PAID**		
	Balance outstanding at the beginning of the year	**36 071**	13 938
	Taxation charge	**208 996**	215 075
	Disposal of subsidiaries	**—**	(45)
	Acquisition of subsidiaries	**3 726**	1 437
	Translation differences	**68**	173
	Balance outstanding at the end of the year	**(25 323)**	(36 071)
		223 538	194 507

25. DISPOSAL OF SUBSIDIARIES

31 May 2013

Date disposed	1 September 2012	1 January 2013	
% disposed	100	100	
	Content Connect Africa Proprietary Limited R'000	Multiserv Proprietary Limited R'000	Total R'000
The carrying/fair value of the net assets disposed of:			
Cash and cash equivalents	486	3 744	4 230
Property, plant and equipment	117	216	333
Intangible assets	2 970	4 618	7 588
Inventories	—	1 643	1 643
Receivables	6 503	1 112	7 615
Loans receivable	—	1 839	1 839
Deferred tax	—	(468)	(468)
Borrowings	(3 130)	(6 068)	(9 198)
Current tax liabilities	(45)	—	(45)
Payables	(7 620)	(4 291)	(11 911)
Carrying/fair value of subsidiary disposed of:	(719)	2 345	1 626
Goodwill	4 746	5 846	10 592
Carrying/fair value of net assets disposed of:	4 027	8 191	12 218
(Loss)/profit on disposal of subsidiary	(2 027)	2 147	120
Total proceeds on disposal	2 000	10 338	12 338
Less: Proceeds to be settled	—	(7 853)	(7 853)
Total proceeds on disposal received in cash	2 000	2 485	4 485
Less: Cash and cash equivalents in subsidiary	(486)	(3 744)	(4 230)
Cash inflow on disposal	1 514	(1 259)	255

On 1 September 2012, Blue Label Telecoms Limited sold its 100% shareholding in Content Connect Africa Proprietary Limited to management for an amount of R2 million. The loss on disposal of R2 million has been recognised in the statement of comprehensive income.

On 1 January 2013, Blue Label Telecoms Limited sold its 100% shareholding in Multiserv Proprietary Limited for an amount of R10.3 million. The profit on disposal of R2.1 million has been recognised in the statement of comprehensive income.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

26. BUSINESS COMBINATIONS

26.1 Acquisition of subsidiary

	Simigenix Proprietary Limited R'000	Retail Mobile Credit Specialists Proprietary Limited R'000
	Holder of ECS/ECNS licence	Provider of cellular products and services via virtual and physical mediums
Date acquired	23 August 2013	7 April 2014
% acquired	100	100
At 31 May 2014		
Assets	468	74 386
Liabilities	468	35 789
Revenue since acquisition	—	74 492
Profit/(loss) after tax since acquisition	*	3 373

* *Less than R1 000.*

Had the acquisitions of subsidiaries taken place at the beginning of the financial year, they would have contributed R473.3 million to revenue and R29.4 million to net profit after tax. The actual contribution to revenue and net profit after tax for the year was R74.5 million and R3.4 million respectively.

The fair value of the net assets approximated the assets acquired on acquisition date.

26. BUSINESS COMBINATIONS (continued)

26.1 Acquisition of subsidiary (continued)

	Simigenix Proprietary Limited R'000	Retail Mobile Credit Specialists Proprietary Limited R'000	Total R'000
Cash and cash equivalents	*	25 444	25 444
Property, plant and equipment	—	727	727
Intangible assets**	—	104 177	104 177
Loans receivable	—	18 632	18 632
Receivables	—	30 734	30 734
Provision for impairment of receivables	—	(6 462)	(6 462)
Current tax liabilities	—	(3 726)	(3 726)
Deferred tax**	—	(26 002)	(26 002)
Payables	—	(35 455)	(35 455)
Fair value of subsidiaries acquired	*	108 069	108 069
Non-controlling interests	—	—	—
Fair value of net assets acquired	*	108 069	108 069
Goodwill	—	205 749	205 749
Total purchase consideration	*	313 818	313 818
Contingent consideration	—	(15 132)	(15 132)
Settled in cash	*	298 686	298 686
Less: Cash and cash equivalents in subsidiary	*	(25 444)	(25 444)
Cash flow on acquisition	—	273 242	273 242

* *Less than R1 000.*

** *Included in additions in note 5 is R101.2 million of distribution agreements which relate to the purchase price allocations performed for Retail Mobile Credit Specialists Proprietary Limited in terms of IFRS 3(R)* – Business Combinations. *Deferred tax to the value of R28.3 million was raised on recognition of this intangible asset.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

26. BUSINESS COMBINATIONS (continued)

26.1 Acquisition of subsidiary (continued)

Retail Mobile Credit Specialists Proprietary Limited (RMCS) was purchased with the objective of affording the Group access to new channels for the distribution of both RMCS and Group products and services.

In most business acquisitions, there is a part of the cost that is not capable of being attributed in accounting terms to identifiable assets and liabilities acquired and is therefore recognised as goodwill. In the case of the acquisition of RMCS, this goodwill is underpinned by a number of elements, which individually cannot be quantified. Most significant among these is the opportunity that the distribution network affords the Group.

The contingent consideration arrangement requires The Prepaid Company Proprietary Limited to pay in cash the former owners of RMCS, two additional amounts of R15.4 million and R16 million if certain profit warranties are achieved. The first amount of R15.4 million was based on the profits of RMCS for the six-month period ended 28 February 2014. These profit targets were achieved and the R15.4 million was paid on 2 June 2014, post year-end. The second amount of R16 million is based on the profits of RMCS for the year ending 31 August 2014.

The potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between R15.4 million and R31.4 million.

The fair value of the contingent consideration arrangement of R15.1 million was estimated by applying the income approach. The fair value estimates are based on a discount rate of 9%. For the first and second profit targets management has assumed a probability of 100% and 0% respectively. Refer to note 14.

26. BUSINESS COMBINATIONS (continued)

26.1 Acquisition of subsidiary (continued)

	Blue Label Engage Proprietary Limited R'000	Panacea Mobile Proprietary Limited R'000	TicketPros Proprietary Limited R'000
	Facilitator of loyalty programmes	SMS aggregator	Ticketing solution
Date acquired	1 September 2012	1 September 2012	5 April 2013
% acquired	50.1	51	60
At 31 May 2013			
Assets	6 727	21 634	9 748
Liabilities	8 922	15 158	4 641
Revenue since acquisition	7 443	25 456	2 858
(Loss)/profit after tax since acquisition	(2 180)	4 476	187

Had the acquisitions of subsidiaries taken place at the beginning of the financial year, they would have contributed R51.1 million to revenue and R4.1 million to net profit after tax. The actual contribution to revenue and net profit after tax for the year was R35.8 million and R2.5 million respectively.

The fair value of the net assets approximated the assets acquired on acquisition date.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

26. BUSINESS COMBINATIONS (continued)

26.1 Acquisition of subsidiary (continued)

	Blue Label Engage Proprietary Limited R'000	Panacea Mobile Proprietary Limited R'000	TicketPros Proprietary Limited R'000	Total R'000
Cash and cash equivalents	14	2 963	14 153	17 130
Property, plant and equipment	13	113	452	578
Intangible assets*	—	5 263	5 368	10 631
Inventories	—	—	994	994
Receivables	110	2 145	1 210	3 465
Current tax liabilities	—	(1 015)	(422)	(1 437)
Borrowings	(114)	—	—	(114)
Deferred tax*	—	(1 474)	(1 260)	(2 734)
Payables	(39)	(2 206)	(12 336)	(14 581)
Fair value of subsidiaries acquired	(16)	5 789	8 159	13 932
Non-controlling interests	8	(2 837)	(3 263)	(6 092)
Fair value of net assets acquired	(8)	2 952	4 896	7 840
Goodwill	2 743	6 882	5 104	14 729
Total purchase consideration	2 735	9 834	10 000	22 569
Contingent consideration	(335)	(2 334)	—	(2 669)
Settled in cash	2 400	7 500	10 000	19 900
Less: Cash and cash equivalents in subsidiary	(14)	(2 963)	(14 153)	(17 130)
Cash flow on acquisition	2 386	4 537	(4 153)	2 770

* *Included in additions in note 5 is R5.3 million of software and R4.5 million of customer relationships which relate to the purchase price allocations performed for Panacea Mobile Proprietary Limited and TicketPros Proprietary Limited respectively in terms of IFRS 3(R) –* Business Combinations*. Deferred tax to the value of R1.5 million and R1.3 million respectively was raised on recognition of these intangible assets.*

26. BUSINESS COMBINATIONS (continued)

26.1 Acquisition of subsidiary (continued)

TicketPros Proprietary Limited was acquired with the objective of acquiring a platform in order for Group companies to expand their product offering to existing TicketPros customers.

In most business acquisitions, there is a part of the cost that is not capable of being attributed in accounting terms to identifiable assets and liabilities acquired and is therefore recognised as goodwill. In the case of the acquisition of TicketPros Proprietary Limited, this goodwill is underpinned by a number of elements, which individually cannot be quantified. Most significant among these is management's experience and the relationships held by management.

Blue Label Engage Proprietary Limited was purchased with the objective of entering into the loyalty and customer engagement markets which meets the Group's objective of providing a holistic customer engagement strategy for potential customers and expands the Group's revenue streams.

In most business acquisitions, there is a part of the cost that is not capable of being attributed in accounting terms to identifiable assets and liabilities acquired and is therefore recognised as goodwill. In the case of the acquisition of Blue Label Engage Proprietary Limited, this goodwill is underpinned by a number of elements, which individually cannot be quantified. Most significant among these is management's experience and the relationships held by management.

The contingent consideration arrangement requires BLT to pay in cash the former owners of Blue Label Engage Proprietary Limited an additional amount arrived at by multiplying the amount by which the headline earnings of Blue Label Engage Proprietary Limited in its 2013 financial year exceeds R600 000 by four, capped at a maximum of an additional R2.6 million. The potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between zero and R2.6 million.

The fair value of the contingent consideration arrangement of R0.3 million was estimated by applying the income approach. The fair value estimates are based on a discount rate of 18.46% and assumed probability-adjusted profit in Blue Label Engage Proprietary Limited of R0.4 million.

Panacea Mobile Proprietary Limited was purchased with the objective of utilising their software system to grow and expand the Group's operations and revenues within the messaging market in South Africa and Africa. A large portion of the purchase price in this transaction was allocated to the internally generated software system which had not been capitalised separately within the Company.

26. BUSINESS COMBINATIONS (continued)

26.1 Acquisition of subsidiary (continued)

In most business acquisitions, there is a part of the cost that is not capable of being attributed in accounting terms to identifiable assets and liabilities acquired and is therefore recognised as goodwill. In the case of the acquisition of Panacea Mobile Proprietary Limited, this goodwill is underpinned by a number of elements, which individually cannot be quantified. Most significant among these is the synergy with other Group companies.

The contingent consideration arrangement requires BLT to pay in cash the former owners of Panacea Mobile Proprietary Limited an additional amount of up to R1.5 million (pro-rated) if the profit after tax for Panacea Mobile Proprietary Limited's 2013 financial year is no less than R4.2 million. An additional amount of up to R1.5 million (payable over 10 equal periods, capped at R150 000 per period), based on the achievement of certain criteria in respect of a customer contract being achieved by Panacea Mobile Proprietary Limited is also payable.

The potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between R1.5 million and R3 million.

The fair value of the contingent consideration arrangement of R2.3 million was estimated by applying the income approach. The fair value estimates are based on a discount rate of 18.46% and assumed probability-adjusted profit in Panacea Mobile Proprietary Limited of R4.2 million and R5.7 million respectively. Refer to note 14.

26.2 Acquisition of non-controlling interest's shareholding

	Panacea Proprietary Limited R'000	TicketPros Proprietary Limited R'000	Africa Prepaid Services Proprietary Limited R'000
Initial acquisition % acquired	**51**	**60**	**72**
Further acquisition			
Date acquired	**1 June 2013**	**1 June 2013**	**3 January 2014**
% acquired	**49**	**40**	**18**
At 31 May 2014			
Assets	**28 990**	**21 869**	**720**
Liabilities	**21 119**	**20 155**	**109 829**
Revenue	**51 832**	**8 112**	**—**
Profit/(loss) after tax since further acquisition	**1 394**	**(3 392)**	**(6 688)**

The fair value of the net assets approximated the assets acquired on acquisition date.

26. BUSINESS COMBINATIONS (continued)

26.2 Acquisition of non-controlling interest's shareholding (continued)

	Panacea Proprietary Limited R'000	TicketPros Proprietary Limited R'000	Africa Prepaid Services Proprietary Limited R'000	Total R'000
Non-controlling interests	**4 752**	**3 249**	**(11 761)**	**(3 760)**
Fair value of net assets acquired	**4 752**	**3 249**	**(11 761)**	**(3 760)**
Amounts transferred to transaction with non-controlling interest reserve	**12 893**	**1 451**	**11 761**	**26 105**
Total purchase consideration	**17 645**	**4 700**	*****	**22 345**
Contingent consideration	**(6 155)**	**—**	**—**	**(6 155)**
Settled in cash	**11 490**	**4 700**	*****	**16 190**
Cash flow on acquisition	**11 490**	**4 700**	*****	**16 190**

** Less than R1 000.*

On 1 June 2014, Blue Label Telecoms Limited acquired 24.5% of Panacea Proprietary Limited (Panacea) from both Stefano Sessa and Donald Duke Jackson respectively.

The contingent consideration arrangement requires BLT to pay in cash the former owners of Panacea an additional two amounts of R1.5 million and R6.6 million based on gross profits and net profits after tax arising from a certain customer contract. The R1.5 million payment is payable in 10 biannual tranches, capped at R150 000 each. The first of these payments was made in March 2014. The R6.6 million payment is payable in five annual tranches with the first payment being due in August 2014.

The potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between R150 000 and R8.1 million.

The fair value of the contingent consideration arrangement of R6.2 million was estimated by applying the income approach. The fair value estimates are based on a discount rate of 9%. Management has assumed a probability of 100% for all profit targets. Refer to note 14.

On 31 January 2014, BLT acquired 18% of the issued share capital of Africa Prepaid Services Proprietary Limited from Imphandze Holdings Proprietary Limited for R270.

26. BUSINESS COMBINATIONS (continued)

26.2 Acquisition of non-controlling interest's shareholding (continued)

	Africa Prepaid Services Nigeria Limited R'000	The Post Paid Company Proprietary Limited R'000
Initial acquisition % acquired	51	75
Further acquisition		
Date acquired	28 January 2013	1 October 2012
% acquired	24.01	25
At 31 May 2013		
Assets	21	33 676
Liabilities	41 858	33 566
Revenue	—	10 508
(Loss)/profit after tax since further acquisition	(12 317)	650

The fair value of the net assets approximated the assets acquired on acquisition date.

	Africa Prepaid Services Nigeria Limited R'000	**The Post Paid Company Proprietary Limited R'000**	**Total R'000**
Non-controlling interests	**(7 158)**	**(395)**	**(7 553)**
Fair value of net assets acquired	**(7 158)**	**(395)**	**(7 553)**
Amounts transferred to transaction with non-controlling interest reserve	**21 158**	**395**	**21 553**
Total purchase consideration	**14 000**	*****	**14 000**
Settled in cash	**14 000**	*****	**14 000**
Cash flow on acquisition	**14 000**	*****	**14 000**

** Less than R1 000.*

On 28 January 2013, Blue Label Telecoms Limited acquired 24.01% of the issued share capital of Africa Prepaid Services Nigeria Limited from Citadella Holdings Corp for a purchase consideration of R14 million.

26. BUSINESS COMBINATIONS (continued)

26.3 Post-balance sheet acquisition of subsidiary

Subsequent to year-end, Blue Label Telecoms acquired 75% shareholding in Via Media Proprietary Limited (Via Media).

The provisional fair value of the net assets acquired on acquisition date are:

	Via Media Proprietary Limited R'000
Cash and cash equivalents	**1 823**
Property, plant and equipment	**1 642**
Intangible assets**	**134 812**
Loans receivable	**830**
Receivables	**28 695**
Current tax liabilities	**(8 502)**
Deferred tax**	**(37 604)**
Payables	**(16 605)**
Fair value of subsidiaries acquired	**105 091**
Non-controlling interests	**(26 272)**
Fair value of net assets acquired	**78 819**
Goodwill	**150 356**
Total purchase consideration	**229 175**
Contingent consideration	**(84 799)**
Settled in cash	**144 376**
Less: Cash and cash equivalents in subsidiary	**(1 823)**
Cash flow on acquisition	**142 553**

** *Included in intangible assets is R9.5 million in respect of customer relationships and R125 million in respect of a business intelligence database which relate to the provisional purchase price allocations performed for Via Media Proprietary Limited in terms of IFRS 3(R) –* Business Combinations. *Deferred tax to the value of R37.7 million was raised on recognition of these intangible assets.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

26. BUSINESS COMBINATIONS (continued)

26.3 Post-balance sheet acquisition of subsidiary (continued)

Via Media Proprietary Limited was purchased with the objective of affording the Group access to new channels for the distribution of both Via Media and Group products and services.

In most business acquisitions, there is a part of the cost that is not capable of being attributed in accounting terms to identifiable assets and liabilities acquired and is therefore recognised as goodwill. In the case of the acquisition of Via Media, this goodwill is underpinned by a number of elements, which individually cannot be quantified. Most significant among these is the opportunity that the distribution network affords the Group.

The contingent consideration arrangement requires BLT to pay in cash the former owner of Via Media three additional amounts of R24.06 million, R24.06 million and R55 million if warranted profits are achieved by Via Media during a 36 month warranty period. If the warranted profits are not achieved, the above payments will be allotted on a pro rata basis. If, however, the warranted profits fall below an agreed threshold BLT will have the right to put its shares to the former owner for a refund of all payments made plus interest thereon. An additional R112.5 million or part thereof will be payable if stretched targets are achieved. These targets are over and above the warranted accumulated profit over the warranty period.

The potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between R0 and R215.6 million.

The fair value of the contingent consideration arrangement of R84.8 million was estimated by applying the income approach. The fair value estimates are based on a discount rate of 9%. For the first, second and third profit targets management has assumed a probability of 100%. For the fourth profit target management has assumed a probability of 0%.

27. NON-CONTROLLING INTERESTS

Set out below is the summarised financial information relating to each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations with other companies in the Group.

Subsidiary Principal place of business Segment	**Transaction junction** **RSA** **SA distribution**	
	2014	2013
NCI %	**40**	40
	R'000	R'000
Summarised balance sheet as at 31 May		
Non-current assets	**17 496**	13 494
Current assets	**25 421**	16 045
Total assets	**42 917**	29 539
Capital and reserves	**16 598**	(1 212)
Non-current liabilities	**1 263**	2 261
Current liabilities	**25 056**	28 491
Total equity and liabilities	**42 917**	29 540
Accumulated NCI	**6 639**	(485)
Summarised statement of comprehensive income for the period ended 31 May		
Revenue	**41 524**	30 618
Total comprehensive income/(loss) for the year	**17 810**	4 837
Comprehensive income/(loss) allocated to NCI	**7 124**	1 935
Summarised cash flows for the period ended 31 May		
Cash flows from operating activities	**15 501**	11 476
Cash flows from investing activities	**(2 160)**	(1 879)
Cash flows from financing activities	**(5 276)**	(2 420)
Net increase/(decrease) in cash and cash equivalents	**8 065**	7 177
Dividends paid to NCI	**—**	—

* *The APS group consists of African Prepaid Services Proprietary Limited and African Prepaid Services Nigeria Limited (refer to note 33).*

** *In the current year, BLT acquired shares in APS SA, increasing its shareholding to 90% (2013: 72%). This was the main factor in reducing the effective non-controlling interest of the APS group in the current year to 24% (2013: 33%).*

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For the year ended 31 May 2014

APS Group* RSA and Nigeria International distribution		Blue Label Data Solutions RSA Solutions	
2014 Effective 24 R'000**	2013 Effective 33 R'000	**2014 19 R'000**	2013 19 R'000
—	—	**3 166**	3 919
720	1 317	**30 038**	23 993
720	1 317	**33 204**	27 912
(109 108)	(75 089)	**23 973**	12 088
26 222	24 502	**856**	714
83 606	51 904	**8 375**	15 110
720	1 317	**33 204**	27 912
(26 000)	(24 862)	**4 555**	2 297
—	—	**92 111**	66 870
(34 019)	(40 819)	**21 385**	19 495
(12 125)	(22 609)	**4 063**	3 704
(31 341)	(39 092)	**13 509**	18 301
—	—	**(603)**	(1 490)
31 321	38 048	**(9 350)**	(15 023)
(20)	(1 044)	**3 556**	1 788
—	—	**1 805**	—

28. RELATED PARTY TRANSACTIONS

For details of subsidiaries, associates and joint ventures, refer to note 33. For details of the Company's directors, refer to the directors' report. ZOK Cellular Proprietary Limited, BSC Technologies Proprietary Limited, Black Ginger 59 Proprietary Limited, Dataforce Trading 240 Proprietary Limited, Moneyline 311 Proprietary Limited, PLL Investments Proprietary Limited, aloeCap Proprietary Limited, Stylco Proprietary Limited, Wildekrans Wine Estate Proprietary Limited, Wireless Business Solutions Proprietary Limited, iBurst Proprietary Limited, Parkrun Southern Africa Proprietary Limited, Bordelo Properties Proprietary Limited, Blu's Brothers Proprietary Limited, Stax Technologies Proprietary Limited, and Ellerine Bros. Proprietary Limited are related parties due to directors' shareholdings and the companies having certain common directorships.

For details of the shareholdings in the Company, refer to the directors' report.

For details on directors' emoluments, refer to note 29.

The following transactions were carried out with related parties and all relate to continued operations:

	2014 R'000	2013 R'000
Sales to related parties		
BSC Technologies Proprietary Limited	**443**	613
Bela Phone Company Proprietary Limited	**—**	59
Blue Label Mexico S.A. de C.V.	**5 053**	5 255
Datacision Proprietary Limited	**112**	—
iBurst Proprietary Limited	**732**	815
Smart Voucher Limited trading as UKash	**24**	32
Stax Technologies Proprietary Limited	**49**	—
Stylco Proprietary Limited	**2 907**	11 094
ZOK Cellular Proprietary Limited	**3 448**	4 090
Sales to related parties are negotiated on a cost-plus basis with terms that would be available to third parties.		

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

		2014 R'000	2013 R'000
28.	**RELATED PARTY TRANSACTIONS (continued)**		
	Purchases from related parties		
	Bela Phone Company Proprietary Limited	**—**	245
	Black Ginger 59 Proprietary Limited	**12 498**	10 895
	Blu's Brothers Proprietary Limited	**245**	—
	BSC Technologies Proprietary Limited	**211**	8 833
	PLL Investments Proprietary Limited	**—**	11
	Smart Voucher Limited trading as UKash	**28**	1 034
	Stax Technologies Proprietary Limited	**62**	—
	Stylco Proprietary Limited	**3 935**	3 692
	Wildekrans Wine Estate Proprietary Limited	**5**	16
	Wireless Business Solutions Proprietary Limited	**16 593**	—
	ZOK Cellular Proprietary Limited	**62 947**	52 398
	Purchases of goods and services from related parties are negotiated on a cost-plus basis.		
	Interest received from related parties		
	2DFine Holdings Mauritius (refer to note 6)	**11 795**	8 575
	Blue Label Mexico S.A. de C.V (refer to note 6)	**1 017**	576
	Interest rates are per contractual agreement.		
	Management fees received from related parties		
	Blue Label Mexico S.A. de C.V.	**250**	520
	Datacision Proprietary Limited	**387**	252
	Forensic Intelligence Data Solutions Proprietary Limited	**270**	—
	Management fees received are per contractual agreement based on the fair value of services provided.		
	Management fees paid to related parties		
	BSC Technologies Proprietary Limited	**—**	122
	Management fees paid are per contractual agreement based on the fair value of services received.		

		2014 R'000	2013 R'000
28.	**RELATED PARTY TRANSACTIONS (continued)**		
	Rent paid to related parties		
	Ellerine Bros. Proprietary Limited	**6 222**	5 631
	Dataforce Trading 240 Proprietary Limited	**2 776**	2 560
	Moneyline 311 Proprietary Limited	**6 222**	5 631
	PLL Investments Proprietary Limited	**1 363**	2 143
	Rentals paid to related parties are based on market-related rates.		
	Contributions to related parties		
	Parkrun Southern Africa Proprietary Limited	**538**	336
	Purchases of property, plant and equipment from related parties		
	Bordelo Properties Proprietary Limited	**3 123**	—
	Loans to related parties		
	2DFine Holdings Mauritius* (refer to note 6)	**127 373**	108 798
	Blue Label Mexico S.A. de C.V. (refer to note 6)	**1 054**	—
	Forensic Intelligence Data Solutions Proprietary Limited (refer to note 6)	**305**	—
	Oxigen Services India Private Limited (refer to note 6)	**25 068**	18 643
	ZOK Cellular Proprietary Limited (refer to note 7)	**24 091**	19 582

* *B Levy and M Levy have signed personal sureties for the loan owed by 2DFine Holdings Mauritius to Gold Label Investments Proprietary Limited. Their liability is limited to the difference between the sum of 50% of the loan owing and the value of 18.61% of the shares in Oxigen Services India Private Limited on the 30th day after which the loan becomes due and payable or extended date as may be agreed in writing by Gold Label Investments Proprietary Limited.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

		2014 R'000	2013 R'000
28.	**RELATED PARTY TRANSACTIONS (continued)**		
	Amounts due from related parties included in trade receivables		
	Black Ginger 59 Proprietary Limited	**1 456**	2 184
	Blue Label Mexico S.A. de C.V.	**5 314**	9 423
	BSC Technologies Proprietary Limited	**—**	20
	Datacision Proprietary Limited	**46**	—
	iBurst Proprietary Limited	**62**	1 820
	PLL Investments Proprietary Limited	**—**	27
	Stylco Proprietary Limited	**—**	960
	ZOK Cellular Proprietary Limited	**2**	2
		6 880	14 436
	Amounts due to related parties included in trade payables		
	aloeCap Proprietary Limited	**44**	—
	Black Ginger 59 Proprietary Limited	**131**	117
	BSC Technologies Proprietary Limited	**—**	22
	Datacision Proprietary Limited	**1 149**	—
	KM Ellerine	**84**	42
	NN Lazarus	**133**	40
	LM Nestadt	**211**	199
	PLL Investments Proprietary Limited	**2**	—
	Smart Voucher Limited trading as UKash	**360**	386
	Unihold Group Proprietary Limited	**195**	—
	JS Vilakazi	**71**	30
	Wireless Business Solutions Proprietary Limited	**3 436**	—
		5 816	836

29. DIRECTORS' AND PRESCRIBED OFFICER'S EMOLUMENTS

	Blue Label Services as directors of Blue Label Telecoms Limited R'000	Salary and allowances R'000	Bonuses and performance-related payments R'000	Other benefits R'000
For the year ended 31 May 2014				
Executive directors				
BM Levy	—	6 677	—	120
MS Levy	—	6 686	—	111
M Pamensky	—	5 637	—	94
DB Rivkind*	—	1 455	—	27
DA Suntup	—	1 530	—	58
	—	21 985	—	410
Non-executive directors				
LM Nestadt	843	—	—	—
K Ellerine	264	—	—	—
G Harlow	540	—	—	—
NN Lazarus	523	—	—	—
J Mthimunye	373	—	—	—
JS Vilakazi	309	—	—	—
	2 852	—	—	—
Prescribed officer				
DA Suntup*	—	1 428	—	54
	—	1 428	—	54
	2 852	23 413	—	464

* *DB Rivkind resigned with effect from 14 November 2013. DA Suntup was appointed a director on 14 November 2013.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

Subtotal R'000	Services as directors of subsidiaries of Blue Label Telecoms Limited R'000	Salary and allowances from subsidiaries R'000	Bonuses and performance-related payments from subsidiaries R'000	Retirement and related benefits from subsidiaries R'000	Corporate finance and legal fees for services rendered to Blue Label Telecoms Group R'000	Total R'000	Fair value of forfeitable shares R'000
6 797	—	—	—	—	—	6 797	10 069
6 797	—	—	—	—	—	6 797	10 069
5 731	—	—	—	—	—	5 731	8 489
1 482	—	—	—	—	—	1 482	4 390
1 588	—	—	—	—	—	1 588	4 390
22 395	—	—	—	—	—	22 395	37 407
843	—	—	—	—	—	843	—
264	—	—	—	—	—	264	—
540	460	—	—	—	—	1 000	—
523	—	—	—	—	10 874	11 397	—
373	—	—	—	—	—	373	—
309	—	—	—	—	—	309	—
2 852	460	—	—	—	10 874	14 186	—
1 482	—	—	—	—	—	1 482	—
1 482	—	—	—	—	—	1 482	—
26 729	460	—	—	—	10 874	38 063	37 407

29. DIRECTORS' AND PRESCRIBED OFFICER'S EMOLUMENTS (continued)

	Blue Label Services as directors of Blue Label Telecoms Limited R'000	Salary and allowances R'000	Bonuses and performance-related payments R'000	Other benefits R'000
For the year ended 31 May 2013				
Executive directors				
BM Levy	—	6 303	7 695	109
MS Levy	—	6 312	7 695	100
M Pamensky	—	5 335	3 784	71
DB Rivkind	—	2 753	1 957	42
	—	20 703	21 131	322
Non-executive directors				
LM Nestadt	795	—	—	—
K Ellerine	194	—	—	—
G Harlow	473	—	—	—
NN Lazarus	421	—	—	—
J Mthimunye	385	—	—	—
JS Vilakazi	231	—	—	—
	2 499	—	—	—
Prescribed officer				
DA Suntup	—	2 694	1 957	101
	—	2 694	1 957	101
	2 499	23 397	23 088	423

The fair value of forfeitable shares per director has been included.

No director has a notice period of more than one year.

No directors' service contract includes predetermined compensation as a result of termination that would exceed one year's salary and benefits.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

Subtotal R'000	Services as directors of subsidiaries of Blue Label Telecoms Limited R'000	Salary and allowances from subsidiaries R'000	Bonuses and performance-related payments from subsidiaries R'000	Retirement and related benefits from subsidiaries R'000	Corporate finance and legal fees for services rendered to Blue Label Telecoms Group R'000	Total R'000	Fair value of forfeitable shares R'000
14 107	—	—	—	—	—	14 107	9 353
14 107	—	—	—	—	—	14 107	9 353
9 190	—	—	—	—	—	9 190	7 885
4 752	—	—	—	—	—	4 752	4 078
42 156	—	—	—	—	—	42 156	30 670
795	—	—	—	—	—	795	—
194	—	—	—	—	—	194	—
473	113	—	—	—	—	586	—
421	—	—	—	—	9 785	10 205	—
385	—	—	—	—	—	385	—
231	—	—	—	—	—	231	—
2 499	113	—	—	—	9 785	12 396	—
4 752	—	—	—	—	—	4 752	4 078
4 752	—	—	—	—	—	4 752	4 078
49 407	113	—	—	—	9 785	59 304	34 748

29. DIRECTORS' AND PRESCRIBED OFFICER'S EMOLUMENTS (continued)

	Issue date	Issue price	Vesting date
Forfeitable share scheme per director and prescribed officer			
For the year ended 31 May 2014			
BM Levy	**1 September 2010**	**4.7**	**31 August 2013**
BM Levy	**1 October 2011**	**4.5**	**31 August 2014**
BM Levy	**3 September 2012**	**6.71**	**31 August 2015**
BM Levy	**2 September 2013**	**8.75**	**31 August 2016**
MS Levy	**1 September 2010**	**4.7**	**31 August 2013**
MS Levy	**1 October 2011**	**4.5**	**31 August 2014**
MS Levy	**3 September 2012**	**6.71**	**31 August 2015**
MS Levy	**2 September 2013**	**8.75**	**31 August 2016**
MV Pamensky	**1 September 2010**	**4.7**	**31 August 2013**
MV Pamensky	**1 October 2011**	**4.5**	**31 August 2014**
MV Pamensky	**3 September 2012**	**6.71**	**31 August 2015**
MV Pamensky	**2 September 2013**	**8.75**	**31 August 2016**
DB Rivkind	**1 September 2010**	**4.7**	**31 August 2013**
DB Rivkind	**1 October 2011**	**4.5**	**31 August 2014**
DB Rivkind	**3 September 2012**	**6.71**	**31 August 2015**
DB Rivkind	**2 September 2013**	**8.75**	**31 August 2016**
DA Suntup	**1 September 2010**	**4.7**	**31 August 2013**
DA Suntup	**1 October 2011**	**4.5**	**31 August 2014**
DA Suntup	**3 September 2012**	**6.71**	**31 August 2015**
DA Suntup	**2 September 2013**	**8.75**	**31 August 2016**

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

Awards outstanding as at the beginning of the year	Number of shares awarded	Awards forfeited during the year	Awards vested during the year	Balance as at the end of the year
450 486	—	(16 910)	(433 576)	—
470 507	—	—	—	470 507
334 474	—	—	—	334 474
—	271 883	—	—	271 883
1 255 467	271 883	(16 910)	(433 576)	1 076 864
450 486	—	(16 910)	(433 576)	—
470 507	—	—	—	470 507
334 474	—	—	—	334 474
—	271 883	—	—	271 883
1 255 467	271 883	(16 910)	(433 576)	1 076 864
379 787	—	(14 256)	(365 531)	—
396 667	—	—	—	396 667
281 982	—	—	—	281 982
—	229 214	—	—	229 214
1 058 436	229 214	(14 256)	(365 531)	907 863
196 409	—	(7 372)	(189 037)	—
205 139	—	—	—	205 139
145 829	—	—	—	145 829
—	118 540	—	—	118 540
547 377	118 540	(7 372)	(189 037)	469 508
196 409	—	(7 372)	(189 037)	—
205 139	—	—	—	205 139
145 829	—	—	—	145 829
—	118 540	—	—	118 540
547 377	118 540	(7 372)	(189 037)	469 508

29. DIRECTORS' AND PRESCRIBED OFFICER'S EMOLUMENTS (continued)

	Issue date	Issue price	Vesting date
Forfeitable share scheme per director and prescribed officer			
For the year ended 31 May 2013			
BM Levy	27 November 2009	5.85	1 September 2012
BM Levy	1 September 2010	4.7	31 August 2013
BM Levy	1 October 2011	4.5	31 August 2014
BM Levy	3 September 2012	6.71	31 August 2015
MS Levy	27 November 2009	5.85	1 September 2012
MS Levy	1 September 2010	4.7	31 August 2013
MS Levy	1 October 2011	4.5	31 August 2014
MS Levy	3 September 2012	6.71	31 August 2015
MV Pamensky	27 November 2009	5.85	1 September 2012
MV Pamensky	1 September 2010	4.7	31 August 2013
MV Pamensky	1 October 2011	4.5	31 August 2014
MV Pamensky	3 September 2012	6.71	31 August 2015
DB Rivkind	27 November 2009	5.85	1 September 2012
DB Rivkind	1 September 2010	4.7	31 August 2013
DB Rivkind	1 October 2011	4.5	31 August 2014
DB Rivkind	3 September 2012	6.71	31 August 2015
DA Suntup	27 November 2009	5.85	1 September 2012
DA Suntup	1 September 2010	4.7	31 August 2013
DA Suntup	1 October 2011	4.5	31 August 2014
DA Suntup	3 September 2012	6.71	31 August 2015

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

Awards outstanding as at the beginning of the year	Number of shares awarded	Awards forfeited during the year	Awards vested during the year	Balance as at the end of the year
343 060	—	(39 006)	(304 054)	—
450 486	—	—	—	450 486
470 507	—	—	—	470 507
—	334 474	—	—	334 474
1 264 053	334 474	(39 006)	(304 054)	1 255 467
343 060	—	(39 006)	(304 054)	—
450 486	—	—	—	450 486
470 507	—	—	—	470 507
—	334 474	—	—	334 474
1 264 053	334 474	(39 006)	(304 054)	1 255 467
250 148	—	(28 442)	(221 706)	—
379 787	—	—	—	379 787
396 667	—	—	—	396 667
—	281 982	—	—	281 982
1 026 602	281 982	(28 442)	(221 706)	1 058 436
149 572	—	(17 007)	(132 565)	—
196 409	—	—	—	196 409
205 139	—	—	—	205 139
—	145 829	—	—	145 829
551 120	145 829	(17 007)	(132 565)	547 377
149 572	—	(17 007)	(132 565)	—
196 409	—	—	—	196 409
205 139	—	—	—	205 139
—	145 829	—	—	145 829
551 120	145 829	(17 007)	(132 565)	547 377

30. SEGMENTAL SUMMARY

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 these segments. Management's assessment of the Group's organisational structure takes the geographical location of the segments into account. All reporting segments located outside South Africa are included in the International distribution segment. Operations included in all other segments are located within South Africa.

Operating segments are reported internally to the chief operating decision-maker in a manner consistent with the financial statements. In addition, the chief operating decision-maker uses core net profit as a non-IFRS measure in evaluating the Group's performance on a segmental level. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors, who are responsible for making strategic decisions on behalf of the Group.

Transactions between reportable segments are conducted on the same terms as other transactions of a similar nature.

The segment results for the year ended 31 May are as follows:

	Total		South African distribution	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
Total segment revenue	**25 354 475**	24 720 865	**24 837 763**	24 363 215
Inter-segment revenue	**(5 952 809)**	(5 736 655)	**(5 734 111)**	(5 651 135)
Revenue	**19 401 666**	18 984 210	**19 103 652**	18 712 080
Segment result				
Operating profit/(loss) before depreciation, amortisation and impairment charges	**787 993**	713 622	**821 310**	796 439
Depreciation and amortisation	**(62 175)**	(56 143)	**(48 401)**	(48 450)
Impairment of property, plant and equipment	**(128)**	(3 408)	**—**	(3 408)
Impairment of intangible assets	**(1 073)**	—	**—**	—
Impairment of loans	**(1 761)**	(8 400)	**(1 487)**	(1 150)
Finance costs	**(166 876)**	(167 096)	**(165 647)**	(166 592)
Finance income	**156 250**	173 260	**140 942**	162 459
Share of (losses)/profits from associates and joint ventures	**(56 873)**	(47 326)	**—**	543
Taxation	**(206 442)**	(196 404)	**(186 664)**	(175 675)
Net profit/(loss) for the year	**448 915**	408 105	**560 053**	564 166

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

At 31 May 2014, the Group is managed on the basis of five main business segments:

- South African distribution, which includes the distribution of physical and virtual prepaid airtime and electricity of the South African mobile/fixed-line network operators and utility suppliers, and the distribution of starter packs in South Africa.
- International distribution, which includes international distribution of physical and virtual prepaid airtime in India and Mexico, and payment solutions in India and United Kingdom. This segment also incorporates the Africa Prepaid Services group.
- Mobile, which includes the provision of a complete mobile transactional ecosystem and services-provisioning platform delivering mobile-centric products and services through any mobile channel, including location-based and WASP services, and music and digital content provision.
- Solutions, which includes marketing of cellular and financial products and services through outbound telemarketing and other channels, provides inbound customer care and technical support, and markets data and analytics services.
- Corporate, which performs the head office administration function.

International distribution		Mobile		Solutions		Corporate	
2014 R'000	2013 R'000	**2014 R'000**	2013 R'000	**2014 R'000**	2013 R'000	**2014 R'000**	2013 R'000
—	—	**350 783**	220 393	**165 929**	137 257	**—**	—
—	—	**(198 165)**	(68 973)	**(20 533)**	(16 547)	**—**	—
—	—	**152 618**	151 420	**145 396**	120 710	**—**	—
(13 961)	(31 000)	**34 273**	37 055	**29 257**	24 703	**(82 886)**	(113 575)
—	—	**(3 407)**	(3 275)	**(3 331)**	(3 336)	**(7 036)**	(1 082)
—	—	**—**	—	**(128)**	—	**—**	—
—	—	**(1 073)**	—	**—**	—	**—**	—
(274)	—	**—**	—	**—**	(889)	**—**	(6 361)
(392)	(30)	**(61)**	(69)	**(1)**	(5)	**(775)**	(400)
11 274	8 593	**1 478**	541	**485**	482	**2 071**	1 185
(56 249)	(49 036)	**—**	—	**(624)**	1 167	**—**	—
(3 700)	(5 997)	**(7 672)**	(9 157)	**(9 049)**	(5 266)	**643**	(309)
(63 302)	(77 470)	**23 538**	25 095	**16 609**	16 856	**(87 983)**	(120 542)

	Total		South African distribution	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
30. SEGMENTAL SUMMARY (continued)				
Reconciliation of net profit for the year to core net profit for the year				
Net profit/(loss) for the year	**448 915**	408 105	**560 053**	564 166
Amortisation of intangibles raised through business combinations net of tax	**10 625**	13 293	**6 323**	8 281
Core net profit/(loss) for the year	**459 540**	421 398	**566 376**	572 447
Core net profit/(loss) for the year attributable to:				
Equity holders of parent	**460 602**	437 516	**558 996**	570 766
Non-controlling interest	**(1 062)**	(16 118)	**7 379**	1 681
Non-cash items				
Net profit/(loss) on sale of subsidiaries	**—**	120	**—**	2 147
Net profit on disposal of associates	**—**	2 273	**—**	1 400
Discounting of receivables	**117 444**	127 773	**116 783**	127 773
Discounting of payables	**(143 882)**	(143 329)	**(143 882)**	(143 329)
The segment assets and liabilities at 31 May are as follows:				
Assets excluding investments in associates and joint ventures	**5 904 778**	5 196 385	**5 651 680**	4 950 040
Investments in associates and joint ventures	**598 109**	524 162	**—**	—
Total assets	**6 502 887**	5 720 547	**5 651 680**	4 950 040
Additions to non-current assets				
Property, plant and equipment	**47 038**	20 042	**42 678**	15 862
Intangible assets and goodwill	**397 203**	297 501	**388 280**	294 331
Investment in associates	**—**	138 174	**—**	—
Investment in joint ventures	**—**	—	**—**	—
Total liabilities	**(2 978 898)**	(2 477 694)	**(2 838 621)**	(2 331 195)

SEGMENTAL SUMMARY

The company is domiciled in the Republic of South Africa. The result of its revenue from external customers in South Africa is R19.402 billion (2013: R18.984 billion), and the total revenue from external customers from other countries is nil (2013: nil).

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

International distribution		Mobile		Solutions		Corporate	
2014 R'000	2013 R'000	**2014 R'000**	2013 R'000	**2014 R'000**	2013 R'000	**2014 R'000**	2013 R'000
(63 302)	(77 470)	**23 538**	25 095	**16 609**	16 856	**(87 983)**	(120 542)
3 315	4 176	**987**	798	**—**	38	**—**	—
(59 987)	(73 294)	**24 525**	25 893	**16 609**	16 894	**(87 983)**	(120 542)
(47 862)	(50 685)	**24 904**	24 787	**12 547**	13 190	**(87 983)**	(120 542)
(12 125)	(22 609)	**(378)**	1 106	**4 062**	3 704	**—**	—
—	—	**—**	(2 027)	**—**	—	**—**	—
—	—	**—**	—	**—**	873	**—**	—
—	—	**661**	—	**—**	—	**—**	—
—	—	**—**	—	**—**	—	**—**	—
(40 235)	(40 633)	**96 420**	94 581	**134 592**	144 172	**62 321**	48 225
596 611	522 345	**—**	—	**1 498**	1 817	**—**	—
556 376	481 712	**96 420**	94 581	**136 090**	145 989	**62 321**	48 225
—	—	**3 306**	2 530	**912**	781	**142**	869
—	—	**7 239**	2 500	**1 651**	661	**33**	9
—	138 174	**—**	—	**—**	—	**—**	—
—	—	**—**	—	**—**	—	**—**	—
(24 401)	(22 238)	**(76 359)**	(39 036)	**(15 767)**	(32 086)	**(23 750)**	(53 139)

The total non-current assets other than financial instruments and deferred tax assets located in South Africa is R1.164 billion (2013: R0.841 billion), and the total non-current assets located in other countries is R555 million (2013: R481 million).

The South African distribution segment includes revenue earned from a single external customer totalling R2.789 billion (2013: R3.577 billion).

31. EQUITY COMPENSATION BENEFIT

Forfeitable shares

During the year, 2 782 541 (2013: 3 496 103) forfeitable shares were granted to executive directors and qualifying employees (participant). The participant will forfeit the forfeitable shares if he/she ceases to be an employee of an employer company before the vesting date or if the specified performance conditions have not been met, unless otherwise specified by the rules or determined by the Board. In the event that the participant is not in the employ of the Group, or the performance conditions are not met, the shares allocated to the participant will be forfeited and will either be sold on the open market by the escrow agent and the proceeds will be returned to the participating employer, or may be retained by the Group for future awards.

Dividends declared in respect of these forfeitable shares are held in escrow until such time as the performance conditions are met and the shares have vested. Shares forfeited during the vesting period will forfeit any dividends pertaining to such shares. A dividend of 25 cents (2013: 23 cents) per ordinary share was declared on 18 August 2013 (2013: 20 August 2012).

The performance condition for the third award grant of forfeitable shares vested on 31 August 2013 was as follows:

- 25% of the shares constituting the allocation were awarded for retention purposes and vested if the employee was still employed within the Group at the vesting date (31 August 2013).
- 25% of the shares constituting the allocation vested on the achievement by individual employees of their individual key performance indicators.
- 50% of shares constituting the allocation vested as the Group's core HEPS were equal to or exceeded the core HEPS per ordinary share at the beginning of the performance period, 1 June 2010, by the percentage change in the CPI over the performance period, plus 15%. There was no linear vesting to this portion of the allocation.

The performance condition for the fourth award grant of forfeitable shares vesting on 31 August 2014 is as follows:

- 25% of the shares constituting the allocation are awarded for retention purposes and shall vest if the employee is still employed within the Group at the vesting date (31 August 2014).
- 25% of the shares constituting the allocation will vest on the achievement by individual employees of their individual key performance indicators.
- 50% of shares constituting the allocation will vest if the Group's core HEPS are equal to or exceed the core HEPS per ordinary share at the beginning of the performance period, 1 June 2011, by the percentage change in the CPI over the performance period, plus 15%. There is no linear vesting to this portion of the allocation.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

31. EQUITY COMPENSATION BENEFIT (continued)

Forfeitable shares (continued)

The performance condition for the fifth award grant vesting on 31 August 2015 of forfeitable shares is as follows:

- 40% of the awards are allocated towards retention. In order to receive this portion of the allocation the employee is required to be employed within the Group at the vesting date (31 August 2015).
- 60% of the awards are allocated on the basis of 50% for growth in core headline earnings per share and 10% for shareholder returns.

The 50% for growth in core headline earnings will be based on the following achievements:

- If growth is 5% above CPI over three years, then 20% of the 50% will vest.
- If growth is 10% above CPI over three years, then an additional 50% (i.e. a total of 70%) of the 50% will vest.
- If growth is 25% above CPI over three years, then a further 30% (i.e. a total of 100%) of the 50% will vest.

The 10% for shareholder return will be based on a 10% compounded growth in the share price over the three-year vesting period measured with reference to the weighted average price per share during the month of the commencement of the allocation and the weighted average share price for the month during which the vesting takes place, plus dividends over the three-year period of no less than three times dividend cover on a grossed-up basis.

The performance condition for the sixth award grant vesting on 31 August 2016 of forfeitable shares is as follows:

- 40% of the awards are allocated towards retention. In order to receive this portion of the allocation the employee is required to be employed within the Group at the vesting date (31 August 2016).
- 60% of the awards are allocated on the basis of 50% for growth in core headline earnings per share and 10% for shareholder returns.

The 50% for growth in core headline earnings will be based on the following achievements:

- If growth is 5% above CPI over three years, then 20% of the 50% will vest.
- If growth is 10% above CPI over three years, then an additional 50% (i.e. a total of 70%) of the 50% will vest.
- If growth is 25% above CPI over three years, then a further 30% (i.e. a total of 100%) of the 50% will vest.

The 10% for shareholder return will be based on a 10% compounded growth in the share price over the three-year vesting period measured with reference to the weighted average price per share during the month of the commencement of the allocation and the weighted average share price for the month during which the vesting takes place, plus dividends over the three-year period of no less than three times dividend cover on a grossed-up basis.

31. EQUITY COMPENSATION BENEFIT (continued)

Forfeitable shares (continued)

Movements in the number of forfeitable shares outstanding during the year are as follows:

	Grant date	Vesting date	Number of shares	Fair value of grant R'000
At 31 May 2012			12 127 082	59 578
Second award			3 083 804	18 040
Third award			4 214 634	19 809
Fourth award			4 828 644	21 729
Granted during the year			3 496 103	23 459
Fifth award	3 September 2012	31 August 2015	3 496 103	23 459
Shares forfeited during the year			(1 285 962)	(6 382)
Second award			(383 291)	(2 242)
Third award			(389 810)	(1 832)
Fourth award			(512 861)	(2 308)
Shares vested during the year			(2 700 513)	(15 798)
Second award		1 September 2012	(2 700 513)	(15 798)
At 31 May 2013			**11 636 710**	**60 857**
Third award			**3 824 824**	**17 977**
Fourth award			**4 315 783**	**19 421**
Fifth award			**3 496 103**	**23 459**
Granted during the year			**2 782 541**	**24 347**
Sixth award	**2 September 2013**	**31 August 2016**	**2 782 541**	**24 347**
Shares forfeited during the year			**(1 074 880)**	**(5 724)**
Third award			**(194 902)**	**(916)**
Fourth award			**(496 374)**	**(2 234)**
Fifth award			**(383 604)**	**(2 574)**
Shares vested during the year			**(3 629 922)**	**(17 061)**
Third award		**31 August 2013**	**(3 629 922)**	**(17 061)**
At 31 May 2014			**9 714 449**	**62 419**
Fourth award			**3 819 409**	**17 187**
Fifth award			**3 112 499**	**20 885**
Sixth award			**2 782 541**	**24 347**

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

31. EQUITY COMPENSATION BENEFIT (continued)

Forfeitable shares (continued)

Refer to note 18 for the expense recognised in the statement of comprehensive income relating to the equity compensation benefits.

The fair value of the shares is based on the value paid for the shares on the open market at grant date.

The total number of forfeitable shares issued to executive directors during the period is 1 010 060 (2013: 1 096 759).

The share-based payment expense in relation to these executive directors is R5.6 million (2013: R6.3 million).

Refer to note 29 for details per director.

32. COMMITMENTS

Future operating lease commitments

The Group leases various offices under non-cancellable operating lease agreements.

The lease terms are between one and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rates.

The Group also leases various equipment under cancellable operating lease agreements.

The Group is required to give six months' notice for the termination of the majority of these agreements.

The lease expenditure charged to the statement of comprehensive income during the year is disclosed in note 19.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2014 R'000	2013 R'000
Premises		
Payable within one year	**29 434**	27 288
Payable in two to five years	**53 526**	70 012
Payable in greater than five years	**348**	4 489
Equipment		
Payable within one year	**416**	1 424
Payable in two to five years	**342**	376
Payable in greater than five years	**—**	—
	84 066	103 589

	Country	Number of issued ordinary shares	Percentage held
33. INTEREST IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES			
2014			
Subsidiaries			
Directly held:			
Subsidiaries of Blue Label Telecoms Limited			
Activi Deployment Services Proprietary Limited	**RSA**	**100**	**100**
Activi Technology Services Proprietary Limited	**RSA**	**300**	**100**
Africa Prepaid Services Proprietary Limited	**RSA**	**420**	**90**
Africa Prepaid Services Nigeria Limited	**Nigeria**	**10 000 000**	**24.01**
Airtime Xpress Proprietary Limited	**RSA**	**200**	**100**
Blue Label Distribution Proprietary Limited	**RSA**	**100**	**100**
Blue Label Engage Proprietary Limited	**RSA**	**1 000**	**50.1**
Blue Label One Proprietary Limited	**RSA**	**300**	**100**
Blue Label Investments Proprietary Limited	**RSA**	**1 200 000**	**100**
BLT USA Inc.	**USA**	**100**	**100**
Budding Trade 1170 Proprietary Limited	**RSA**	**100**	**100**
Cellfind Proprietary Limited	**RSA**	**1 000**	**100**
Datacel Direct Proprietary Limited	**RSA**	**100**	**100**
Kwikpay SA Proprietary Limited	**RSA**	**100**	**100**
Matragon Proprietary Limited	**RSA**	**100**	**100**
Panacea Mobile Proprietary Limited	**RSA**	**100**	**100**
Simigenix Proprietary Limited	**RSA**	**120**	**100**
The Prepaid Company Proprietary Limited	**RSA**	**10 000**	**100**
The Post Paid Company Proprietary Limited	**RSA**	**200**	**100**
TicketPros Proprietary Limited	**RSA**	**250**	**100**
Transaction Junction Proprietary Limited	**RSA**	**120**	**60**
Uninex Proprietary Limited	**RSA**	**100**	**100**
Ventury Group Proprietary Limited	**RSA**	**2 000**	**100**
Virtual Voucher Proprietary Limited	**RSA**	**200**	**100**

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

	Country	Number of issued ordinary shares	Percentage held
33. INTEREST IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)			
2014 (continued)			
Subsidiaries (continued)			
Indirectly held:			
Subsidiary of Blue Label Investments Proprietary Limited			
Gold Label Investments Proprietary Limited	**RSA**	**1 000**	**100**
Subsidiary of The Prepaid Company Proprietary Limited			
Retail Mobile Credit Specialists Proprietary Limited	**RSA**	**42 431**	**100**
Subsidiary of Ventury Group Proprietary Limited			
Cigicell Proprietary Limited (refer to note 5 included in Group statement of changes in equity)	**RSA**	**100**	**100**
Subsidiary of Africa Prepaid Services Proprietary Limited			
Africa Prepaid Services Nigeria Limited	**Nigeria**	**10 000 000**	**51**
Subsidiaries of Datacel Direct Proprietary Limited			
Blue Label Call Centre Proprietary Limited	**RSA**	**300**	**100**
CNS Call Centre Proprietary Limited	**RSA**	**1 000**	**100**
Velociti Proprietary Limited	**RSA**	**1 000**	**100**
Blue Label Data Solutions Proprietary Limited	**RSA**	**100**	**81**
Subsidiary of 2DFine Holdings Mauritius			
2DFine Investments Mauritius	**Mauritius**	**1**	**100**
Subsidiaries of Blue Label Mexico S.A. de C.V.			
SGC Servicios Y Gestion Corporation S.A. de C.V.	**Mexico**	**500**	**99.8**
Connecta Systems LLC	**USA**	**1 000**	**100**
Pagacel S.A. de C.V.	**Mexico**	**500**	**99.8**
Transipago S.A. de C.V.	**Mexico**	**500**	**99.8**

	Country	Number of issued ordinary shares	Percentage held
33. INTEREST IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)			
2014 (continued)			
Associates (continued)			
Indirectly held:			
Associates of Gold Label Investments Proprietary Limited			
Smart Voucher Limited trading as UKash	United Kingdom	57 375 861	17.25*
Oxigen Services India Private Limited	India	14 244 294	37.22
Associates of Datacel Direct Proprietary Limited			
Dual Data Proprietary Limited	RSA	100	50*
Associates of Blue Label Data Solutions Proprietary Limited			
Forensic Intelligence Data Solutions Proprietary Limited	RSA	100	25
Joint ventures			
Joint venture of Blue Label Telecoms Limited			
Blue Label Mexico S.A. de C.V.	Mexico	9 200	45.57**
Joint venture of Datacel Direct Proprietary Limited			
Datacision Proprietary Limited	RSA	100	50**
Joint venture of Gold Label Investments Proprietary Limited			
2DFine Holdings Mauritius	Mauritius	2	50**
Joint venture of 2DFine Investments Mauritius			
Oxigen Services India Private Limited	India	14 244 294	37.22**

* *Significant influence is demonstrated by the Company as a result of representation on the board of directors.*
** *Joint control is demonstrated by the composition of and decision-making powers afforded to the board of directors.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

	Country	Number of issued ordinary shares	Percentage held
33. INTEREST IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)			
2013			
Subsidiaries			
Directly held:			
Subsidiaries of Blue Label Telecoms Limited			
Activi Deployment Services Proprietary Limited	RSA	100	100
Activi Technology Services Proprietary Limited	RSA	300	100
Africa Prepaid Services Proprietary Limited	RSA	150	72
Africa Prepaid Services Nigeria Limited	Nigeria	10 000 000	24.01
Airtime Xpress Proprietary Limited	RSA	200	100
Blue Label Distribution Proprietary Limited	RSA	100	100
Blue Label Engage Proprietary Limited	RSA	1 000	50.1
Blue Label One Proprietary Limited	RSA	300	100
Blue Label Investments Proprietary Limited	RSA	1 200 000	100
BLT USA Inc.	USA	100	100
Budding Trade 1170 Proprietary Limited	RSA	100	100
Celebia Holdings Limited	Cyprus	100	100
Cellfind Proprietary Limited	RSA	1 000	100
Datacel Direct Proprietary Limited	RSA	100	100
Kwikpay SA Proprietary Limited	RSA	100	100
Matragon Proprietary Limited	RSA	100	100
Panacea Mobile Proprietary Limited	RSA	100	51
The Prepaid Company Proprietary Limited	RSA	10 000	100
The Post Paid Company Proprietary Limited	RSA	200	100
TicketPros Proprietary Limited	RSA	250	60
Transaction Junction Proprietary Limited	RSA	120	60
Uninex Proprietary Limited	RSA	100	100
Ventury Group Proprietary Limited	RSA	2 000	100
Virtual Voucher Proprietary Limited	RSA	200	100

	Country	Number of issued ordinary shares	Percentage held
33. INTEREST IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)			
2013 (continued)			
Subsidiaries (continued)			
Indirectly held:			
Subsidiary of Blue Label Investments Proprietary Limited			
Gold Label Investments Proprietary Limited	RSA	1 000	100
Subsidiary of The Prepaid Company Proprietary Limited			
Little River Trading 181 Proprietary Limited trading as Crown Cellular	RSA	100	100
Subsidiary of Ventury Group Proprietary Limited			
Cigicell Proprietary Limited (refer to note 4 included in Group statement of changes in equity)	RSA	100	100
Subsidiary of Africa Prepaid Services Proprietary Limited			
Africa Prepaid Services Nigeria Limited	Nigeria	10 000 000	51
Subsidiaries of Datacel Direct Proprietary Limited			
Blue Label Call Centre Proprietary Limited	RSA	300	100
CNS Call Centre Proprietary Limited	RSA	1 000	100
Velociti Proprietary Limited	RSA	1 000	100
Blue Label Data Solutions Proprietary Limited	RSA	100	81
Subsidiary of 2DFine Holdings Mauritius			
2DFine Investments Mauritius	Mauritius	1	100
Subsidiaries of Blue Label Mexico S.A. de C.V.			
SGC Servicios Y Gestion Corporation S.A. de C.V.	Mexico	500	99.8
Connecta Systems LLC	USA	1 000	100
Pagacel S.A. de C.V.	Mexico	500	99.8
Transipago S.A. de C.V.	Mexico	500	99.8

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

	Country	Number of issued ordinary shares	Percentage held
33. INTEREST IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)			
2013 (continued)			
Associates			
Indirectly held:			
Associates of Gold Label Investments Proprietary Limited			
Smart Voucher Limited trading as UKash	United Kingdom	57 375 861	17.25*
Oxigen Services India Private Limited	India	14 244 294	37.22
Associates of Datacel Direct Proprietary Limited			
Dual Data Proprietary Limited	RSA	100	50*
Joint ventures			
Joint venture of Blue Label Telecoms Limited			
Blue Label Mexico S.A. de C.V.	Mexico	4 500	45**
Joint venture of Datacel Direct Proprietary Limited			
Datacision Proprietary Limited	RSA	100	50**
Joint venture of Gold Label Investments Proprietary Limited			
2DFine Holdings Mauritius	Mauritius	2	50**
Joint venture of 2DFine Investments Mauritius			
Oxigen Services India Private Limited	India	14 244 294	37.22**

* *Significant influence is demonstrated by the Company as a result of representation on the board of directors.*

** *Joint control is demonstrated by the composition of and decision-making powers afforded to the board of directors.*

34. SUBSEQUENT EVENTS

A final dividend of R182.1 million (27 cents per ordinary share) was declared for the year ended 31 May 2014, payable on Monday, 15 September 2014, to shareholders recorded in the register at the close of business on Friday, 12 September 2014.

In August 2014, BLT completed a transaction in which it acquired 75% of Via Media Proprietary Limited. The purchase consideration is for an initial sum of R144.4 million plus additional amounts totalling up to R103.1 million if warranted profits are achieved by Via Media during the forthcoming 36 months. If the warranted profits are not achieved, the above additional payments will be abated on a pro-rata basis. A further R112.5 million or part thereof will be payable if stretched targets over and above the warranted accumulated profits over the next three years are achieved. See note 26.3.

35. LITIGATION UPDATE

In December 2008, Africa Prepaid Services Proprietary Limited (APS), a subsidiary of BLT, concluded a super dealer agreement with Multi-Links Telecommunications Limited (MLT), a wholly owned subsidiary of Telkom, at the time, in terms of which APS was appointed for a period of 10 years to market and distribute a range of products and services for MLT in Nigeria (the agreement).

In 2009, APS ceded and assigned all its rights and obligations in terms of the agreement to Africa Prepaid Services Nigeria Limited (APSN), a subsidiary of APS and BLT.

On 26 November 2010, APSN cancelled the agreement on the basis of MLT's wrongful repudiation of the agreement.

In June 2011, APSN launched arbitration proceedings in South Africa against MLT (the arbitration proceedings). APSN claims payment of USD457 million against MLT and MLT has counterclaimed for payment of the sum of USD123 million.

35. LITIGATION UPDATE (continued)

Telkom sold its shareholding in MLT to Hip Oils Topco Limited on 3 October 2011. In terms of an indemnity contained in the sale and purchase agreement, Telkom is liable for all amounts in excess of USD10 million in respect of APSN's claim against MLT.

Telkom and MLT instituted an action in the High Court against BLT, APS, APSN and certain individuals, including a former senior executive of Telkom, for payment of an aggregate amount of USD724 million (the action).

The claim in the action is based, inter alia, on an alleged breach of the duty of care and alleged misrepresentations made by BLT, together with alleged breaches of fiduciary duties on the part of the former senior Telkom executive, at the time the agreement was concluded, in respect of which it is alleged BLT was a party to.

On 6 September 2013, Telkom and MLT obtained an order from the High Court which had the effect of preventing the arbitrators from determining whether the agreement is valid and enforceable. APSN decided not to appeal against the order and submitted itself to the jurisdiction of the High Court for the purposes of defending the allegations made against it, BLT and the other defendants and for the purpose of proceeding with its claim against MLT for payment of the sum of USD457 million arising out of MLT's wrongful repudiation of the agreement. At the same time and in the same action, APSN has advanced a claim against Telkom for payment of the sum of USD457 million arising out of Telkom's wrongful interference with APSN's contractual rights against MLT. To the extent that APSN is unable to recover its losses from MLT, APSN aims to recover such losses from its claim against Telkom.

BLT and the other defendants vehemently deny the allegations made against them by Telkom and MLT, and maintain that they are not liable. A trial date has not as yet been allocated.

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 May 2014

	Notes	2014 R'000	2013 R'000
ASSETS			
Non-current assets		**3 354 441**	3 234 767
Property, plant and equipment	3	**16 916**	23 601
Intangible assets	4	**253**	452
Deferred taxation asset	5	**6 737**	5 698
Investment in subsidiaries	6.1	**3 012 304**	3 040 190
Investment in and loans to joint ventures	6.2	**255 196**	164 826
Loan receivable	7	**63 035**	—
Current assets		**35 450**	46 719
Loans to subsidiaries	6.1	**31 565**	38 421
Trade and other receivables	8	**2 467**	7 190
Cash and cash equivalents	9	**1 418**	1 110
Total assets		**3 389 891**	3 281 488
EQUITY AND LIABILITIES			
Capital and reserves		**2 891 274**	3 077 661
Share capital	10	*****	*
Share premium		**4 012 359**	4 012 359
Treasury shares		**(30 887)**	(39 403)
		3 981 472	3 972 956
Equity compensation benefit reserve		**12 246**	15 815
Share-based payment reserve		**295**	295
Accumulated loss		**(1 102 739)**	(911 405)
Current liabilities		**498 617**	203 827
Trade and other payables	12	**23 291**	44 843
Loans from subsidiaries	13	**474 949**	150 858
Current tax liabilities		**377**	8 126
Total equity and liabilities		**3 389 891**	3 281 488

* *Less than R1 000.*

COMPANY STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 May 2014

	Notes	**2014 R'000**	2013 R'000
Other income		**96 837**	107 950
Employee compensation and benefit expense	14	**(55 702)**	(80 173)
Depreciation, amortisation and impairment charges		**(7 019)**	(21 443)
Other expenses		**(64 389)**	(73 424)
Operating loss	15	**(30 273)**	(67 090)
Finance costs	16	**(775)**	(400)
Finance income	16	**7 806**	3 630
Net loss before taxation		**(23 242)**	(63 860)
Taxation	17	**535**	(405)
Net loss for the year		**(22 707)**	(64 265)
Other comprehensive income for the year, net of tax		**—**	—
Total comprehensive loss for the year		**(22 707)**	(64 265)

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 May 2014

	Share capital R'000	Share premium R'000
Balance as at 31 May 2012	*	4 012 359
Net loss for the year	—	—
Other comprehensive income	—	—
Total comprehensive loss	—	—
Shares purchased during the year	—	—
Shares awarded to Group companies as part of equity compensation scheme	—	—
Shares forfeited by Group companies as part of equity compensation scheme	—	—
Equity compensation scheme shares vested	—	—
Equity compensation movements	—	—
Dividends	—	—
Balance as at 31 May 2013	*	4 012 359
Net loss for the year	—	—
Other comprehensive income	—	—
Total comprehensive loss	—	—
Shares purchased during the year	—	—
Shares awarded to Group companies as part of equity compensation scheme	—	—
Shares forfeited by Group companies as part of equity compensation scheme	—	—
Equity compensation scheme shares vested	—	—
Equity compensation movements	—	—
Dividends	—	—
Balance as at 31 May 2014	*****	**4 012 359**

** Less than R1 000.*

Treasury shares R'000	Equity compensation benefit reserve R'000	Share-based payment reserve R'000	Accumulated loss R'000	Total equity R'000
(38 077)	14 884	295	(692 003)	3 297 458
—	—	—	(64 265)	(64 265)
—	—	—	—	—
—	—	—	(64 265)	(64 265)
(17 223)	—	—	—	(17 223)
13 719	—	—	—	13 719
(5 029)	—	—	—	(5 029)
7 207	(7 207)	—	—	—
—	8 138	—	—	8 138
—	—	—	(155 137)	(155 137)
(39 403)	15 815	295	(911 405)	3 077 661
—	**—**	**—**	**(22 707)**	**(22 707)**
—	**—**	**—**	**—**	**—**
—	**—**	**—**	**(22 707)**	**(22 707)**
(11 120)	**—**	**—**	**—**	**(11 120)**
14 370	**—**	**—**	**—**	**14 370**
(3 275)	**—**	**—**	**—**	**(3 275)**
8 541	**(8 541)**	**—**	**—**	**—**
—	**4 972**	**—**	**—**	**4 972**
—	**—**	**—**	**(168 627)**	**(168 627)**
(30 887)	**12 246**	**295**	**(1 102 739)**	**2 891 274**

COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 May 2014

	Notes	2014 R'000	2013 R'000
Cash flows from operating activities	18	**(17 969)**	8 526
Interest received	16	**527**	3 630
Interest paid	16	**(775)**	(400)
Taxation paid	19	**(8 254)**	(1 295)
Net cash flows from operating activities		**(26 471)**	10 461
Cash flows from investing activities			
Acquisition of property, plant and equipment	3	**(141)**	(868)
Proceeds on sale of property, plant and equipment		**63**	474
Acquisition of intangible assets	4	**(34)**	(9)
Loans repaid by subsidiaries		**21 227**	248 492
Loans advanced to subsidiaries		**(27 714)**	(38 586)
Acquisition of subsidiaries		**(25 201)**	(36 569)
Loans advanced to joint venture	6	**(85 765)**	—
Acquisition of investment in joint venture		**—**	(110 345)
Net cash flows from investing activities		**(117 565)**	62 589
Cash flows from financing activities			
Borrowings raised from subsidiaries	13	**324 091**	99 220
Dividends paid		**(168 627)**	(155 137)
Treasury shares acquired		**(11 120)**	(17 223)
Net cash flows from financing activities		**144 344**	(73 140)
Increase/(decrease) in cash and cash equivalents		**308**	(90)
Cash and cash equivalents at the beginning of the period		**1 110**	1 200
Cash and cash equivalents at the end of the period	9	**1 418**	1 110

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

For the year ended 31 May 2014

1. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The accounting policies and critical accounting estimates and assumptions applied to the Company annual financial statements are consistent with the Group accounting policies as detailed on pages 113 to 132.

2. FINANCIAL RISKS

In the course of its business, the Company is exposed to a number of financial risks: credit risk, liquidity risk and market risk (including foreign currency and other price risk). This note presents the Company's objectives, policies and processes for managing its financial risk and capital.

Credit risk

Credit risk arises because a counterparty may fail to meet its obligations to the Company. The Company is exposed to credit risks on financial instruments such as receivables, loans receivable and cash.

Trade and other receivables consist primarily of invoiced amounts owing from related parties. The recoverability of these amounts are regularly monitored with reference to the counterparties' financial performance. Where necessary, a provision for impairment is made.

The Company places cash and cash equivalents 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 Company's maximum credit risk exposure is the carrying amount of all financial assets on the statement of financial position and sureties provided with the maximum amount the Company could have to pay if the sureties are called on amounting to R1 billion (2013: R900 million).

	2014 R'000	2013 R'000
2. FINANCIAL RISKS (continued)		
Loans to subsidiaries and joint venture		
Group 1	**—**	—
Group 2	**32 619**	38 421
Group 3	**—**	—
	32 619	38 421
Loans receivable		
Group 1	**—**	—
Group 2	**63 035**	—
Group 3	**—**	—
	63 035	—
Trade receivables		
Counterparties without external credit rating		
Group 1	**—**	—
Group 2	**—**	6 443
Group 3	**—**	—
Total unimpaired trade receivables	**—**	6 443

The rating groups for counterparties without external credit ratings are categorised as follows:

Group 1 – New customers/related parties (less than six months).

Group 2 – Existing customers/related parties (more than six months) with no defaults in the past.

Group 3 – Existing customers/related parties (more than six months) with some defaults in the past. All defaults were fully recovered.

Cash at bank and short-term bank deposits

Credit rating based on latest Fitch local currency long-term issuer default ratings.

	2014 R'000	2013 R'000
BBB	**—**	305
BBB-	**1 418**	805
	1 418	1 110

2. FINANCIAL RISKS (continued)

Liquidity risk

Liquidity risk arises when a company encounters difficulties to meet commitments associated with liabilities and other payment obligations. The Company's objective is to maintain prudent liquidity risk management by 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. Company finance monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs. Due to the dynamic nature of the underlying businesses, the Company aims to maintain flexibility in funding by keeping committed credit lines available.

Management is satisfied as to the liquidity of the Company since the majority of the current liabilities relate to the loans from subsidiaries. These subsidiaries are 100% held by the Company and therefore the Company has control of their assets including cash resources.

The Company and a subsidiary company have issued a cross surety in respect of a guarantee for an overdraft facility in the amount of R19.85 million in favour of FNB, a division of FirstRand Bank Limited. This facility was unutilised as at 31 May 2014. In addition, the Company and four of its subsidiaries have issued a cross surety in the amount of R1.7 million.

Maturity of financial liabilities

			Payable in:		
	Less than one month or on demand R'000	More than one month but not exceeding one year R'000	More than one year but not exceeding two years R'000	More than two years but not exceeding five years R'000	More than five years R'000
2014					
Loans from subsidiaries	**474 949**	**—**	**—**	**—**	**—**
Trade and other payables*	**2 512**	**11 557**	**—**	**—**	**—**
Total	**477 461**	**11 557**	**—**	**—**	**—**
2013					
Loans from subsidiaries	150 858	—	—	—	—
Trade and other payables*	1 642	7 596	—	—	—
Total	152 500	7 596	—	—	—

* *Trade and other payables exclude non-financial instruments being VAT and certain amounts within accruals and sundry creditors.*

2. FINANCIAL RISKS (continued)

Market risk

Market risk is the risk that changes in market prices (interest rate and currency risk) will affect the Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company is exposed to risks from movements in foreign exchange rates and interest rates that affect its assets, liabilities and anticipated future transactions.

Fair value measurement hierarchy:

- Level 1: fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); or
- Level 3: fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Contingent consideration, included in trade and other payables are level 3 financial liabilities.

Changes in level 3 instruments are as follows:

	2014 R'000	2013 R'000
Contingent consideration		
Opening balance	**3 030**	—
Acquisition of Panacea Proprietary Limited	**6 155**	2 334
Acquisition of Blue Label Engage Proprietary Limited	**—**	335
Settlements	**(1 800)**	—
Gains and losses recognised in profit or loss	**(129)**	361
Closing balance	**7 256**	3 030
Total gains or losses for the period included in profit or loss for liabilities held at the end of the reporting period, under:		
Other income	**(827)**	—
Interest paid	**698**	361
Change in unrealised gains or losses for the period included in profit or loss for liabilities held at the end of the reporting period	**698**	361

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

2. FINANCIAL RISKS (continued)

Cash flow and fair value interest rate risk

The Company's cash flow interest rate risk arises from loans receivable and cash and cash equivalents. The Company is not exposed to fair value interest rate risk as the Company does not have any fixed interest-bearing instruments carried at fair value nor any interest-bearing borrowings.

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

Foreign currency risk

The Company is exposed to foreign currency risk from transactions. Transaction exposure arises due to the Company granting loans to affiliated companies in foreign currencies.

The Company manages its exposure to foreign currency risk by ensuring that the net foreign currency exposure remains within acceptable levels. Hedging instruments are used in certain instances to reduce risks arising from foreign currency fluctuations. The Company did not enter into any forward exchange contracts during the period under review.

IFRS 7 – Sensitivity Analysis

The Company has used a sensitivity analysis technique that measures the estimated change to the statement of comprehensive income of either an instantaneous increase or decrease of 1% (100 basis points) in market interest rates or a 10% strengthening or weakening of the rand against all other currencies, from the rates applicable at 31 May 2014, for each class of financial instrument with all other variables remaining constant. This analysis is for illustrative purposes only, as in practice market rates rarely change in isolation.

Interest rate risks

The interest rate sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect the interest income or expense of variable interest financial instruments; and
- Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interest rates if these are recognised at fair value.

Under these assumptions, a 1% increase or decrease in market interest rates at 31 May 2014 would increase or decrease profit before tax by R655 070 (2013: R11 092).

2. FINANCIAL RISKS (continued)

Foreign currency risk

Financial instruments by currency

	2014			2013	
	ZAR	**USD**	**Total**	ZAR	Total
	R'000	**R'000**	**R'000**	R'000	R'000
Financial assets					
Cash	**1 418**	**—**	**1 418**	1 110	1 110
Trade and other receivables*	**177**	**—**	**177**	6 445	6 445
Loans to subsidiaries and associates	**31 565**	**1 054**	**32 619**	38 419	38 419
Loans receivable	**—**	**63 035**	**63 035**	2	2
	33 160	**64 089**	**97 249**	45 976	45 976
Financial liabilities					
Non-interest-bearing borrowings	**474 949**	**—**	**474 949**	150 858	150 858
Trade and other payables*	**14 069**	**—**	**14 069**	9 238	9 238
	489 018	**—**	**489 018**	160 096	160 096
Net financial position	**(455 858)**	**64 089**	**(391 769)**	(114 120)	(114 120)

** Trade and other receivables and trade and other payables exclude non-financial instruments.*

With a 10% strengthening or weakening in the rand against all other currencies, profit before tax would increase or decrease by R6.4 million respectively.

Capital risk

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust this capital structure, the Company may issue new shares, adjust the amount of dividends paid to shareholders, return capital to shareholders or sell assets to reduce debt.

The Company defines capital as capital and reserves and non-current borrowings.

The Company is not subject to externally imposed capital requirements. There were no changes to the Company's approach to capital management during the year.

Fair value measurement

For all short-term financial assets and liabilities, the carrying amount is regarded as an approximation of the fair value.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

	Computer equip-ment R'000	Furniture and fittings R'000	Motor vehicles R'000	Office equip-ment R'000	Leasehold improve-ments R'000	Total R'000
3. PROPERTY, PLANT AND EQUIPMENT						
Year ended 31 May 2014						
Opening carrying amount	**69**	**665**	**907**	**539**	**21 421**	**23 601**
Additions	**81**	**36**	**—**	**24**	**—**	**141**
Disposals	**(1)**	**—**	**(39)**	**—**	**—**	**(40)**
Depreciation charge	**(57)**	**(313)**	**(248)**	**(452)**	**(5 716)**	**(6 786)**
Closing carrying amount	**92**	**388**	**620**	**111**	**15 705**	**16 916**
At 31 May 2014						
Cost	**886**	**2 062**	**1 196**	**2 337**	**39 008**	**45 489**
Accumulated depreciation	**794**	**1 674**	**576**	**2 226**	**23 303**	**28 573**
Carrying amount	**92**	**388**	**620**	**111**	**15 705**	**16 916**
Year ended 31 May 2013						
Opening carrying amount	127	965	761	1 386	27 112	30 351
Additions	34	8	782	10	34	868
Disposals	—	—	(401)	—	—	(401)
Depreciation charge	(92)	(308)	(235)	(857)	(5 725)	(7 217)
Closing carrying amount	69	665	907	539	21 421	23 601
At 31 May 2013						
Cost	810	2 030	1 327	2 313	39 007	45 487
Accumulated depreciation	(741)	(1 365)	(420)	(1 774)	(17 586)	(21 886)
Carrying amount	69	665	907	539	21 421	23 601

There are no property, plant and equipment assets that are encumbered.

	Computer software R'000	Other R'000	Total R'000
4. INTANGIBLE ASSETS			
Year ended 31 May 2014			
Opening carrying amount	**137**	**315**	**452**
Additions	**34**	**—**	**34**
Amortisation charge	**(93)**	**(140)**	**(233)**
Closing carrying amount	**78**	**175**	**253**
At 31 May 2014			
Cost	**2 587**	**700**	**3 287**
Accumulated depreciation	**(2 509)**	**(525)**	**(3 034)**
Carrying amount	**78**	**175**	**253**
Year ended 31 May 2013			
Opening carrying amount	213	455	668
Additions	9	—	9
Amortisation charge	(85)	(140)	(225)
Closing carrying amount	137	315	452
At 31 May 2013			
Cost	2 554	700	3 254
Accumulated depreciation	(2 417)	(385)	(2 802)
Carrying amount	137	315	452

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

	2014 R'000	2013 R'000
5. DEFERRED TAXATION		
At the beginning of the year	**(5 698)**	2 208
Credited/(charged) to the statement of comprehensive income:		
Provisions	**6 850**	(7 677)
Tax losses	**(8 121)**	—
Capital allowances	**(49)**	(49)
Equity compensation benefit	**(105)**	70
Other	**386**	(250)
At the end of the year	**(6 737)**	(5 698)
Deferred taxation comprises:		
Provisions	**(941)**	(7 791)
Tax losses	**(8 121)**	—
Capital allowances	**136**	185
Equity compensation benefit	**3 249**	3 354
Other	**(1 060)**	(1 446)
	(6 737)	(5 698)
The analysis of deferred tax assets and deferred tax liabilities is as follows:		
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	**458**	251
Deferred tax assets to be recovered within 12 months	**(7 195)**	(5 949)
	(6 737)	(5 698)
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	**—**	—
Deferred tax liabilities to be recovered within 12 months	**—**	—
	—	—
Net deferred tax asset	**(6 737)**	(5 698)

Where deferred tax assets have been recognised, a formal process of assessment of the future profitability of the Company has been performed based on detailed budgets and cash flow forecasts. As a result, management believes that the current tax losses will be utilised within one to five years. There are no unrecognised tax losses in the current year (2013: R nil).

	2014 R'000	2013 R'000
6. INVESTMENTS IN GROUP COMPANIES AND RELATED LOANS		
6.1 Investments in and loans to subsidiaries		
Shares at cost less amounts written off	**3 012 304**	3 040 190
Loans owing by subsidiaries less amounts written off	**31 565**	38 421
	3 043 869	3 078 611

Details are reflected below:

	Shares at cost R'000	Loans owing by subsidiaries R'000	Provision for impairment R'000
2014			
Activi Technology Services Proprietary Limited	*	—	—
Activi Deployment Services Proprietary Limited	5 060	—	—
Africa Prepaid Services Proprietary Limited[1]	61 520	75 644	(137 164)
Africa Prepaid Services Nigeria Limited[1]	14 000	17 510	(31 510)
Blue Label Distribution Proprietary Limited**	194 000	—	—
Blue Label Engage Proprietary Limited	2 735	—	—
Blue Label Investments Proprietary Limited	108 416	—	—
Blue Label One Proprietary Limited	40 000	—	—
BLT USA Inc.[2]	307	—	—
Budding Trade Proprietary Limited**	6 000	—	—
Cellfind SA Proprietary Limited	290 000	—	(141 841)
Cigicell Proprietary Limited	295	—	—
Datacel Direct Proprietary Limited	150 000	—	(16 073)
Gold Label Investments Proprietary Limited	29 400	180 201	(175 075)
Kwikpay SA Proprietary Limited**	22 500	—	—
Matragon Proprietary Limited**	*	—	—
Panacea Mobile Proprietary Limited	27 479	—	—
Simigenix Proprietary Limited	*	—	—
The Post Paid Company Proprietary Limited**	*	—	—
The Prepaid Company Proprietary Limited**	2 150 214	—	—
TicketPros Proprietary Limited	14 700	—	—
Transaction Junction Proprietary Limited	4 200	—	—
Uninex Proprietary Limited	*	976	—
Velociti Proprietary Limited	7 185	—	—
Ventury Group Proprietary Limited**	98 406	—	—
Virtual Voucher Proprietary Limited**	44 784	—	—
	3 271 201	**274 331**	**(501 663)**

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

6. INVESTMENTS IN GROUP COMPANIES AND RELATED LOANS (continued)

6.1 Investments in and loans to subsidiaries (continued)

	Shares at cost R'000	Loans owing by subsidiaries R'000	Provision for impairment R'000
2013			
Activi Technology Services Proprietary Limited	*	—	—
Activi Deployment Services Proprietary Limited	5 060	—	—
Africa Prepaid Services Proprietary Limited[1]	61 520	57 904	(119 424)
Africa Prepaid Services Nigeria Limited[1]	14 000	5 113	(19 113)
Blue Label Distribution Proprietary Limited**	194 000	—	—
Blue Label Engage Proprietary Limited	2 735	—	—
Blue Label Investments Proprietary Limited	108 416	—	—
Blue Label One Proprietary Limited	40 000	—	—
BLT USA Inc.	50 540	—	—
Budding Trade Proprietary Limited**	6 000	—	—
Celebia Holdings Limited	*	—	—
Cellfind SA Proprietary Limited	290 000	—	(141 841)
Cigicell Proprietary Limited	295	—	—
Datacel Direct Proprietary Limited	150 000	—	(16 073)
Gold Label Investments Proprietary Limited	29 400	187 055	(175 075)
Kwikpay SA Proprietary Limited**	22 500	—	—
Matragon Proprietary Limited**	*	—	—
Panacea Mobile Proprietary Limited	9 834	—	—
The Post Paid Company Proprietary Limited**	*	—	—
The Prepaid Company Proprietary Limited**	2 150 214	—	—
TicketPros Proprietary Limited	10 000	—	—
Transaction Junction Proprietary Limited	4 200	—	—
Uninex Proprietary Limited	*	976	—
Velociti Proprietary Limited	7 185	—	—
Ventury Group Proprietary Limited**	98 406	—	—
Virtual Voucher Proprietary Limited**	44 784	—	—
	3 299 089	251 048	(471 526)

* *Less than R1 000.*

** *These investments have been pledged as security to Investec Bank Limited in terms of the facility.*
For details on percentage held, country of incorporation and issued shares, refer to note 33 in the Group notes. Refer to notes 15 and 21 for details on impairments.

[1] *These loans bear interest at prime + 2% and have no fixed terms of repayment. All other loans are interest-free.*

[2] *On 1 April 2014 BLT USA Inc. distributed its loan to 2DFine Holdings Mauritius of R63 million to Blue Label Telecoms Limited as a dividend in anticipation of deregistration. 2DFine Holdings Mauritius is a joint venture of Gold Label Investments Proprietary Limited. This loan receivable is disclosed in note 7. The excess of R10 million represents dividends received from BLT USA Inc. and is included in other income. See note 15.*

6. INVESTMENTS IN GROUP COMPANIES AND RELATED LOANS (continued)

6.1 Investments in and loans to subsidiaries (continued)

In the prior year, TicketPros Proprietary Limited, Blue Label Engage Proprietary Limited, Panacea Mobile Proprietary Limited and Africa Prepaid Services Nigeria Limited were acquired. In the current year shares in Simigenix Proprietary Limited were acquired, as well as additional shares in Panacea Proprietary Limited, TicketPros Proprietary Limited and Africa Prepaid Services Proprietary Limited. Refer to note 26 in the Group notes for details of these acquisitions.

		2014 R'000	2013 R'000
6.2	**Investments in and loans to joint ventures**		
	Shares as at the beginning of the year	**164 826**	26 652
	Acquisition of joint venture	**89 316**	138 174
	Shares as at the end of the year	**254 142**	164 826
	Loans at the beginning of the year	**—**	27 829
	Loan granted to joint venture capitalised	**(89 316)**	(112 822)
	Loans granted to joint venture	**86 819**	84 993
	Unrealised foreign exchange profit on loans to joint ventures	**3 551**	—
	Loans at the end of the year	**1 054**	—
	Closing net book value	**255 196**	164 826

On 10 September 2013 a loan of R85.8 million was advanced to Blue Label Mexico S.A. de C.V. (BLM). This loan was capitalised on 18 December 2013. The difference of R3.5 million relates to foreign exchange movements.

There was no impairment of investment in joint ventures. The terminal growth rates applied was 3.5% (2013: 4.3%). The weighted average cost of capital used to discount these cash flows was 17.44% (2013: 17.8%). The discount rates used are pre-tax and reflect specific risks relating to the relevant companies.

The discount rate used when calculating the value-in-use calculations would need to be increased by 3% before any impairments would need to be recognised.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

6. INVESTMENTS IN GROUP COMPANIES AND RELATED LOANS (continued)

6.2 Investments in and loans to joint ventures (continued)

		Date acquired	Country of incorporation	Percentage interest held
Blue Label Mexico S.A. de C.V.	Joint venture	23 February 2011	Mexico	40
Blue Label Mexico S.A. de C.V.*	Joint venture	1 September 2012	Mexico	5
Blue Label Mexico S.A. de C.V.*	Joint venture	1 January 2014	Mexico	0.57

In the current year there was a further capital contribution of R89.3 million to BLM. This resulted in a dilution of shares held by an outside shareholder increasing our shareholding to 45.57%.

	Assets R'000	Liabilities R'000	Revenues R'000	Loss R'000
2014				
Blue Label Mexico S.A. de C.V.	**393 801**	**58 777**	**2 865 340**	**(131 465)**
2013				
Blue Label Mexico S.A. de C.V.	349 286	73 551	1 742 863	(113 155)

* *On 1 September 2012, Blue Label Telecoms increased its shareholding in Blue Label Mexico S.A. de C.V. (BLM) by 5% for a consideration of R21.1 million. A further capital contribution of R89.2 million was paid to BLM during the prior year. The loan balance at 31 May 2012 of R27.8 million was capitalised during the prior year. In the current year, there was a further capital contribution of R89.3 million to BLM.*

	2014 R'000	2013 R'000
7. LOAN RECEIVABLE		
Interest-bearing loan receivable	**63 035**	—
	63 035	—

Interest-bearing loans bear interest at 10% per annum.

	2014 R'000	2013 R'000
8. TRADE AND OTHER RECEIVABLES		
Trade receivables	—	—
Sundry debtors	**211**	148
Prepayments	**535**	617
VAT	**1 721**	—
Amounts due from related parties (refer to note 21)	—	6 425
	2 467	7 190

The ageing of trade receivables, including amounts due from related parties, at the reporting date is as follows:

	Gross R'000	Impairment R'000	Net R'000
31 May 2014			
Fully performing	—	—	—
Past due by one to 30 days	—	—	—
Past due by 31 to 60 days	—	—	—
Past due by 61 to 90 days	—	—	—
Past due by more than 90 days	—	—	—
	—	—	—
31 May 2013			
Fully performing	6 425	—	6 425
Past due by one to 30 days	—	—	—
Past due by 31 to 60 days	—	—	—
Past due by 61 to 90 days	—	—	—
Past due by more than 90 days	—	—	—
	6 425	—	6 425

Based on the financial performance of the relevant debtors, management does not consider there to be any indications of potential default in respect of the fully performing book.

	2014 R'000	2013 R'000
9. CASH AND CASH EQUIVALENTS		
Cash at bank	**1 418**	1 110
	1 418	1 110

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

	2014 Number of shares	2013 Number of shares	2014 R'000	2013 R'000
10. SHARE CAPITAL				
Authorised				
Total authorised share capital of ordinary shares (par value of R0.000001 each)	**1 000 000 000**	1 000 000 000	**1**	1
Issued				
Balance at the beginning of the year	**661 635 258**	661 501 917	*	*
Shares acquired during the year	**(1 368 822)**	(2 567 171)	*	*
Shares vested during the year – Blue Label Telecoms Limited	**1 817 292**	1 232 031	*	*
Shares vested during the year – Blue Label Telecoms Limited subsidiaries	**1 812 630**	1 468 481	*	*
Balance at the end of the year	**663 896 358**	661 635 258	*	*

* *Less than R1 000.*

All issued shares are fully paid up.

The total number of shares in issue, including shares held as treasury shares as at 31 May 2014, is 674 509 042 (2013: 674 509 042).

The Company acquired 1 368 822 (2013: 2 567 171) shares at an average price of R8.12 (2013: R6.71) on the JSE in order to grant forfeitable shares to employees and directors.

The amount paid to acquire these shares was R11 120 071 (2013: R17 222 717) and has been deducted from shareholders' equity.

These shares are held as "treasury shares". See note 11 for details on the forfeitable shares.

11. EQUITY COMPENSATION BENEFIT

Forfeitable shares

During the year, 1 140 180 (2013: 1 451 573) forfeitable shares were granted to executive directors and qualifying employees (participant). The participant will forfeit the forfeitable shares if he/she ceases to be an employee of an employer company before the vesting date or if the specified performance conditions have not been met, unless otherwise specified by the rules or determined by the Board. In the event that the participant is not in the employ of the Group, or the performance conditions are not met, the shares allocated to the participant will be forfeited and will either be sold on the open market by the escrow agent and the proceeds will be returned to the participating employer, or may be retained by the Group for future awards.

Dividends declared in respect of these forfeitable shares are held in escrow until such time as the performance conditions are met and the shares have vested. Shares forfeited during the vesting period will forfeit any dividends pertaining to such shares. A dividend of 25 cents (2013: 23 cents) per ordinary share was declared on 18 August 2013 (2013: 20 August 2012).

The performance condition for the third award grant of forfeitable shares vested on 31 August 2013 is as follows:

- 25% of the shares constituting the allocation were awarded for retention purposes and vested if the employee was still employed within the Group at the vesting date (31 August 2013).
- 25% of the shares constituting the allocation vested on the achievement by individual employees of their individual key performance indicators.
- 50% of shares constituting the allocation vested as the Group's core HEPS are equal to or exceed the core HEPS per ordinary share at the beginning of the performance period, 1 June 2010, by the percentage change in the CPI over the performance period, plus 15%. There was no linear vesting to this portion of the allocation.

The performance condition for the fourth award grant of forfeitable shares vesting on 31 August 2014 was as follows:

- 25% of the shares constituting the allocation are awarded for retention purposes and shall vest if the employee is still employed within the Group at the vesting date (31 August 2014).
- 25% of the shares constituting the allocation will vest on the achievement by individual employees of their individual key performance indicators.
- 50% of shares constituting the allocation will vest if the Group's core HEPS are equal to or exceed the core HEPS per ordinary share at the beginning of the performance period, 1 June 2011, by the percentage change in the CPI over the performance period, plus 15%. There is no linear vesting to this portion of the allocation.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

11. EQUITY COMPENSATION BENEFIT (continued)

Forfeitable shares (continued)

The performance condition for the fifth award grant vesting on 31 August 2015 of forfeitable shares is as follows:

- 40% of the awards are allocated towards retention. In order to receive this portion of the allocation the employee is required to be employed within the Group at the vesting date (31 August 2015).
- 60% of the awards are allocated on the basis of 50% for growth in core headline earnings per share and 10% for shareholder returns.

The 50% for growth in core headline earnings will be based on the following achievements.

- If growth is 5% above CPI over three years, then 20% of the 50% will vest.
- If growth is 10% above CPI over three years, then an additional 50% (i.e. a total of 70%) of the 50% will vest.
- If growth is 25% above CPI over three years, then a further 30% (i.e. a total of 100%) of the 50% will vest.

The 10% for shareholder return will be based on a 10% compounded growth in the share price over the three-year vesting period measured with reference to the weighted average price per share during the month of the commencement of the allocation and the weighted average share price for the month during which the vesting takes place, plus dividends over the three-year period of no less than three times dividend cover on a grossed-up basis.

The performance condition for the sixth award grant vesting on 31 August 2016 of forfeitable shares is as follows:

- 40% of the awards are allocated towards retention. In order to receive this portion of the allocation the employee is required to be employed within the Group at the vesting date (31 August 2016).
- 60% of the awards are allocated on the basis of 50% for growth in core headline earnings per share and 10% for shareholder returns.

The 50% for growth in core headline earnings will be based on the following achievements:

- If growth is 5% above CPI over three years, then 20% of the 50% will vest.
- If growth is 10% above CPI over three years, then an additional 50% (i.e. a total of 70%) of the 50% will vest.
- If growth is 25% above CPI over three years, then a further 30% (i.e. a total of 100%) of the 50% will vest.

The 10% for shareholder return will be based on a 10% compounded growth in the share price over the three-year vesting period measured with reference to the weighted average price per share during the month of the commencement of the allocation and the weighted average share price for the month during which the vesting takes place, plus dividends over the three-year period of no less than three times dividend cover on a grossed-up basis.

11. EQUITY COMPENSATION BENEFIT (continued)

Forfeitable shares (continued)

Movements in the number of forfeitable shares outstanding during the year are as follows:

	Grant date	Vesting date	Number shares	Fair value of grant R'000
At 31 May 2012			5 411 291	26 612
Second award			1 391 009	8 137
Third award			1 920 023	9 024
Fourth award			2 100 259	9 451
Granted during the year			1 451 573	9 740
Fifth award	3 September 2012	31 August 2015	1 451 573	9 740
Shares forfeited during the year			(251 503)	(1 353)
Second award			(158 978)	(930)
Third award			(31 856)	(150)
Fourth award			(60 669)	(273)
Shares vested during the year			(1 232 031)	(7 207)
Second award		1 September 2012	(1 232 031)	(7 207)
At 31 May 2013			**5 379 330**	**27 792**
Third award			**1 888 167**	**8 874**
Fourth award			**2 039 590**	**9 178**
Fifth award			**1 451 573**	**9 740**
Granted during the year			**1 140 180**	**9 977**
Sixth award	**2 September 2013**	**31 August 2016**	**1 140 180**	**9 977**
Shares forfeited during the year			**(461 206)**	**(2 449)**
Third award			**(70 875)**	**(333)**
Fourth award			**(227 595)**	**(1 024)**
Fifth award			**(162 737)**	**(1 092)**
Shares vested during the year			**(1 817 292)**	**(8 541)**
Third award		**31 August 2013**	**(1 817 292)**	**(8 541)**
At 31 May 2014			**4 241 011**	**26 779**
Fourth award			**1 811 995**	**8 154**
Fifth award			**1 288 836**	**8 648**
Sixth award			**1 140 180**	**9 977**

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

11. EQUITY COMPENSATION BENEFIT (continued)

Forfeitable shares (continued)

Refer to note 14 for the expense recognised in the statement of comprehensive income relating to the equity compensation benefits.

The fair value of the shares is based on the value paid for the shares on the open market at grant date.

The total number of forfeitable shares issued to executive directors during the period is 1 010 060 (2013: 1 096 759).

The share-based payment expense in relation to these executive directors is R5.6 million (2013: R6.3 million). Included in this is R659,000 (2013: R nil) paid by subsidiaries.

Refer to note 29 of the Group annual financial statements for details per director.

		2014 R'000	2013 R'000
12.	**TRADE AND OTHER PAYABLES**		
	Trade payables	**738**	232
	Accruals	**4 501**	3 930
	Employee benefits	**5 278**	29 513
	Sundry creditors	**4 880**	6 688
	Contingent consideration	**7 256**	3 030
	VAT	**—**	1 116
	Payables to related parties (refer to note 21)	**638**	334
		23 291	44 843
13.	**LOANS FROM SUBSIDIARIES**		
	Blue Label Investments Proprietary Limited	**3 638**	3 638
	Datacel Direct Proprietary Limited	**—**	8 493
	The Prepaid Company Proprietary Limited	**423 311**	90 727
	Ventury Group Proprietary Limited	**48 000**	48 000
		474 949	150 858

Loans are unsecured, interest-free and are repayable on demand.

		2014 R'000	2013 R'000
14.	**EMPLOYEE COMPENSATION AND BENEFIT EXPENSE**		
	Salaries and wages	**44 878**	41 461
	Bonuses	**3 583**	27 770
	Equity compensation benefit	**4 972**	8 138
	Other	**2 269**	2 804
		55 702	80 173
	The average number of employees for the year is 36 (2013: 36).		
15.	**OPERATING LOSS**		
	The following items have been charged/(credited), in arriving at operating loss:		
	Acquisition-related costs	**2 901**	98
	Audit fees – other	**867**	474
	Audit fees – services as auditors	**5 217**	4 205
	Consulting fees	**7 147**	3 968
	Dividend received**	**(10 107)**	—
	Foreign exchange profit**	**(2 908)**	(95)
	Impairment of loans and investments*	**30 136**	61 323
	Insurance	**1 041**	1 118
	Legal fees	**623**	432
	Management fees received**	**(79 944)**	(107 380)
	Operating lease rentals – premises	**(1 826)**	(484)
	Rental paid	**11 871**	11 871
	Rental recovery	**(13 697)**	(12 355)
	Overseas travel	**1 671**	1 578
	Profit on disposal of property, plant and equipment**	**(23)**	(73)
	Repairs and maintenance	**1**	6

* *An impairment loss of R30.1 million (2013: R54.7 million) was recognised in the current year relating to the impairment of related party loans in line with our stated accounting policies (refer to note 21). The related party loans have been fully impaired due to the continuing trading losses in these entities which are not considered to be immediately recoverable. In the prior year an impairment loss of R6.3 million was recognised on a loan to a third party.*

** *Included in other income.*

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

		2014 R'000	2013 R'000
16.	**FINANCE COSTS/(INCOME)**		
	Interest paid		
	– Bank	**1**	3
	– Other	**774**	397
		775	400
	Interest received		
	– Bank	**(527)**	(48)
	– Loans	**(7 279)**	(3 582)
	– Other	**—**	—
		(7 806)	(3 630)
	Net finance income	**(7 031)**	(3 230)
17.	**TAXATION**		
	Current tax	**505**	8 311
	Current year	**—**	7 938
	Prior year adjustment	**505**	373
	Deferred tax	**(1 040)**	(7 906)
	Current year	**(1 040)**	(7 906)
		(535)	405
	Tax rate reconciliation		
	Net loss before tax	**(23 242)**	(63 860)
	Tax at 28%	**(6 508)**	(17 882)
	Income not subject to tax	**(3 882)**	—
	Expenditure not deductible for tax purposes	**10 190**	17 914
	Prior year adjustment	**505**	373
	Capital gains tax	**(840)**	—
		(535)	405

		2014 R'000	2013 R'000
18.	**CASH (UTILISED)/GENERATED BY OPERATIONS**		
	Reconciliation of operating loss to cash flows from operating activities		
	Operating loss	**(30 273)**	(67 090)
	Adjustments for:		
	Dividends received	**(10 107)**	—
	Depreciation of property, plant and equipment	**6 786**	7 217
	Amortisation on intangible assets	**233**	225
	Impairment of loans and investments	**30 136**	61 323
	Profit on disposal of property, plant and equipment	**(23)**	(73)
	Loss on disposal of subsidiaries	**—**	2 000
	Equity compensation benefit expense	**4 972**	8 138
	Net unrealised foreign exchange profit	**(2 864)**	—
	Changes in working capital:		
	Decrease/(increase) in trade and other receivables	**4 723**	(5 858)
	(Decrease)/increase in trade and other payables	**(21 552)**	2 706
	Increase in loans receivable	**—**	(62)
		(17 969)	8 526
19.	**TAXATION PAID**		
	Balance outstanding at the beginning of the year	**8 126**	1 110
	Taxation charge	**505**	8 311
	Balance outstanding at the end of the year	**(377)**	(8 126)
		8 254	1 295
20.	**COMMITMENTS**		
	Future operating lease commitments for:		
	Premises		
	Payable within one year	**13 751**	12 444
	Payable in two to five years	**27 465**	41 216
	Payable in greater than five years	**—**	—
		41 216	53 660

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

21. RELATED PARTY TRANSACTIONS

Related party relationships

For details of subsidiaries and joint ventures, refer to note 33 in the Group notes.

For details of the Company's directors, refer to the directors' report.

ZOK Cellular Proprietary Limited, BSC Technologies Proprietary Limited, Black Ginger 59 Proprietary Limited, Dataforce Trading 240 Proprietary Limited, Moneyline 311 Proprietary Limited, PLL Investments Proprietary Limited, aloeCap Proprietary Limited, Stylco Proprietary Limited, Wildekrans Wine Estate Proprietary Limited, Wireless Business Solutions Proprietary Limited, iBurst Proprietary Limited, Parkrun Southern Africa Proprietary Limited, Bordelo Properties Proprietary Limited, Blu's Brothers Proprietary Limited, Stax Technologies Proprietary Limited, and Ellerine Bros. Proprietary Limited are related parties due to directors' shareholdings and the companies having certain common directorships.

For details of the shareholdings in the Company, refer to the directors' report.

Directors' emoluments (refer to note 29 of the Group annual financial statements and remuneration report).

The following transactions were carried out with related parties:

	2014 R'000	2013 R'000
Purchases from related parties		
Black Ginger 59 Proprietary Limited	**6 115**	4 902
BSC Technologies Proprietary Limited	**65**	7
Cellfind SA Proprietary Limited	**14**	—
Stax Technologies Proprietary Limited	**26**	—
Stylco Proprietary Limited	**—**	18
The Prepaid Company Proprietary Limited	**2**	3
Wildekrans Wine Estate Proprietary Limited	**1**	13
ZOK Cellular Proprietary Limited	**20**	—
Interest received from related parties		
Africa Prepaid Services Proprietary Limited	**4 462**	2 325
Africa Prepaid Services Nigeria Limited	**1 273**	120
2DFine Holdings Mauritius	**527**	—
Blue Label Mexico S.A. de C.V.	**1 017**	576
Management fees received from related parties		
Activi Deployment Services Proprietary Limited	**97**	88
Blue Label Distribution Proprietary Limited	**3 343**	3 039
Blue Label Mexico S.A. de C.V.	**250**	520
Blue Label One Proprietary Limited	**1 200**	1 320
Cellfind SA Proprietary Limited	**3 479**	3 162
Cigicell Proprietary Limited	**2 996**	2 723
Datacel Direct Proprietary Limited	**483**	439
The Prepaid Company Proprietary Limited	**68 000**	96 000
Transaction Junction Proprietary Limited	**97**	88
Rent received from related parties		
Black Ginger 59 Proprietary Limited	**13 545**	11 434

	2014 R'000	2013 R'000
21. RELATED PARTY TRANSACTIONS (continued)		
Rent paid to related parties		
Ellerine Bros. Proprietary Limited	**6 222**	5 631
Moneyline 311 Proprietary Limited	**6 222**	5 631
Impairment of related party investments		
Africa Prepaid Services Nigeria Limited	**—**	14 000
Impairment of related party loans		
Africa Prepaid Services Proprietary Limited	**17 740**	35 849
Africa Prepaid Services Nigeria Limited	**12 397**	5 113
Loans to related parties		
Blue Label Mexico S.A. de C.V.	**1 054**	—
Loan has no fixed terms of repayment and bears interest at 4.25% per annum.		
Gold Label Investments Proprietary Limited	**30 589**	37 446
Loan has no fixed terms of repayment and is interest-free.		
2DFine Holdings Mauritius	**63 035**	—
Loan bears interest at 10% per annum.		
Uninex Proprietary Limited	**976**	976
Loan has no fixed terms of repayment and is interest-free.		
Loans from related parties		
Blue Label Investments Proprietary Limited	**3 638**	3 638
Loan has no fixed terms of repayment and is interest-free.		
Datacel Direct Proprietary Limited	**—**	8 493
Loan has no fixed terms of repayment and is interest-free.		
The Prepaid Company Proprietary Limited	**423 311**	90 727
Loan has no fixed terms of repayment and is interest-free.		
Ventury Group Proprietary Limited	**48 000**	48 000
Loan has no fixed terms of repayment and is interest-free.		
Amounts due from related parties included in trade receivables		
Black Ginger 59 Proprietary Limited	**—**	4 683
Blue Label Distribution Proprietary Limited	**—**	8
Blue Label Mexico S.A. de C.V.	**—**	1 759
Smart Voucher Limited trading as UKash	**—**	(25)
	—	6 425

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

	2014 R'000	2013 R'000
21. RELATED PARTY TRANSACTIONS (continued)		
Amounts due to related parties included in trade payables		
aloeCap Proprietary Limited	**44**	—
Blue Label Distribution Proprietary Limited	**—**	8
Cigicell Proprietary Limited	**—**	15
KM Ellerine	**84**	42
NN Lazarus	**133**	40
LM Nestadt	**211**	199
Unihold Group Proprietary Limited	**95**	—
JS Vilakazi	**71**	30
	638	334

22. SHAREHOLDER ANALYSIS

Shareholder spread	Number of shareholdings	%	Number of shares	%
1 – 1 000 shares	**668**	**29.46**	**316 821**	**0.05**
1 001 – 10 000 shares	**1 010**	**44.55**	**3 971 872**	**0.59**
10 001 – 100 000 shares	**337**	**14.87**	**11 073 671**	**1.64**
100 001 – 1 000 000 shares	**167**	**7.37**	**54 991 560**	**8.15**
1 000 001 shares and over	**85**	**3.75**	**604 155 118**	**89.57**
Totals	**2 267**	**100.00**	**674 509 042**	**100.00**
Distribution of shareholders				
Banks	**35**	**1.54**	**77 493 541**	**11.47**
Close corporations	**24**	**1.06**	**512 298**	**0.08**
Empowerment	**1**	**0.04**	**6 863**	**0.00**
Endowment funds	**19**	**0.84**	**1 660 237**	**0.25**
Individuals	**1 688**	**74.47**	**172 572 464**	**25.58**
Insurance companies	**20**	**0.88**	**10 107 436**	**1.50**
Investment companies	**9**	**0.40**	**1 797 163**	**0.27**
Medical schemes	**3**	**0.13**	**544 341**	**0.08**
Mutual funds	**74**	**3.26**	**174 875 082**	**25.93**
Other corporations	**14**	**0.62**	**76 140**	**0.01**
Private companies	**57**	**2.51**	**118 089 500**	**17.51**
Public companies	**5**	**0.22**	**2 414 723**	**0.36**
Retirement funds	**111**	**4.90**	**67 233 193**	**9.97**
Treasury stock	**2**	**0.09**	**10 612 684**	**1.58**
Trusts	**205**	**9.04**	**36 513 377**	**5.41**
Totals	**2 267**	**100.00**	**674 509 042**	**100.00**
Public/non-public shareholders				
Non-public shareholders	**23**	**1.01**	**294 437 109**	**43.66**
Directors and associates	20	**0.88**	183 824 425	**27.25**
Strategic holdings (more than 10%)	1	**0.04**	100 000 000	**14.83**
Treasury stock	2	**0.09**	10 612 684	**1.58**
Public shareholders	**2 244**	**98.99**	**380 071 933**	**56.34**
Totals	**2 267**	**100.00**	**674 509 042**	**100.00**

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

22. SHAREHOLDER ANALYSIS (continued)

	Number of shares	%
Beneficial shareholders holding 2% or more		
Shotput Investments Proprietary Limited *	**100 000 000**	**14.83**
BM Levy	**83 350 961**	**12.36**
Allan Gray	**78 314 007**	**11.61**
MS Levy	**75 943 552**	**11.26**
Fidelity	**40 608 416**	**6.02**
36ONE Asset Management	**17 287 051**	**2.56**
Sanlam	**13 916 369**	**2.06**
Government Employees Pension Fund	**13 488 848**	**2.00**
Totals	**422 909 204**	**62.70**
Fund Managers 2% or more		
Allan Gray's clients	**135 145 617**	**20.04**
Fidelity Investments	**42 727 216**	**6.33**
RECM's clients	**25 271 246**	**3.75**
36ONE Asset Management	**20 243 140**	**3.00**
Public Investment Corporation	**14 426 870**	**2.14**
Sanlam Investment Management	**14 056 316**	**2.08**
Totals	**251 870 405**	**37.34**

** A discretionary trust, of which Kevin Ellerine is one of a number of potential beneficiaries, holds an interest in Shotput Investments Proprietary Limited. The indirect beneficial shareholding of Kevin Ellerine as disclosed per the Directors' Report refers to his effective shareholding in Lucystat Investments Proprietary Limited.*