

notes to the company annual financial statements

audited results as at 31 May 2008

1. Accounting policies

The accounting policies applied to the company annual financial statements are consistent with the group accounting policies as detailed on pages 78 to 89.

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.

Receivables consist primarily of invoiced amounts from normal trading activities. The company has a diversified customer base and policies are in place to ensure sales are made to customers with an appropriate credit history. Individual credit limits are set for each customer and the utilisation of these credit limits is regularly monitored. Where necessary, a provision for impairment is made.

The company places cash and cash equivalents with major banking companies 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 has no significant concentrations of credit risk.

The company's maximum credit risk exposure is the carrying amount of all financial assets on the balance sheet.

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. Due to the dynamic nature of the underlying businesses, the company aims to maintain flexibility in funding by keeping committed credit lines available.

Maturity of financial liabilities

		Payable in:			
		Less than 1 month or on demand	More than 1 month but not exceeding 1 year	More than 1 year but not exceeding 2 years	More than 2 years but not exceeding 5 years
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
2008					
Non-interest-bearing borrowings	48 866	—	—	—	—
Trade and other payables*	13 640	4 515	—	—	—
Bank overdraft	49	—	—	—	—
Total	62 555	4 515	—	—	—

*Trade and other payables exclude non-financial instruments

Market risk

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

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 income statement 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.

The sensitivity analysis is based on the following assumptions:

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
- 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 2008 would increase or decrease profit before tax by R173 194.

Foreign currency risk

Financial instruments by currency

	ZAR R'000	USD R'000	Total R'000
2008			
Financial assets			
Cash	612	—	612
Receivables*	32 084	—	32 084
Loans receivable	1 174 310	476	1 174 786
	1 207 006	476	1 207 482
Financial liabilities			
Non-interest-bearing borrowings	48 866	—	48 866
Trade and other payables*	18 155	—	18 155
Bank overdraft	49	—	49
	67 070	—	67 070
Net financial position	1 139 936	476	1 140 412

* 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 R47 525 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.

The fair value of all non-current loans receivable and borrowings are calculated using a discounted cash flow model based on prevailing market interest rates.



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	Computer equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Office equipment R'000	Total R'000
3. Property, plant and equipment					
Year ended 31 May 2008					
Actual					
Opening carrying amount	—	—	—	—	—
Additions	279	485	349	131	1 244
Depreciation charge	(9)	(1)	(20)	(2)	(32)
Closing carrying amount	270	484	329	129	1 212
At 31 May 2008					
Cost	279	485	349	131	1 244
Accumulated depreciation	(9)	(1)	(20)	(2)	(32)
Carrying amount	270	484	329	129	1 212
				31 May 2008 Actual audited R'000	31 May 2007 Actual audited R'000
4. Intangible assets					
Computer software					
Opening carrying amount				—	—
Additions				1 719	—
Amortisation charge				(48)	—
Closing carrying amount				1 671	—
5. Deferred taxation					
At 31 May 2007					
Credited to income statement:				—	—
- Provisions				117	—
- Other				19	—
At 31 May 2008				136	—
Deferred taxation comprises:					
- Provisions				117	—
- Other				19	—
				136	—



	31 May 2008 Actual audited R'000	31 May 2007 Actual audited R'000
6. Investments in subsidiaries		
Shares at cost less amounts written off	3 264 085	—
Loans owing by subsidiaries	1 174 310	—
Loans owing to subsidiaries	(48 866)	—
	4 389 529	—

	Shares at cost less amounts written off R'000	Loans owing by subsidiaries R'000	Loans owing to subsidiaries R'000
Details are reflected below:			
Africa Prepaid Services (Proprietary) Limited	61 520	13 539	—
Activi Technology Services (Proprietary) Limited	5 000	—	—
Blue Label Investments (Proprietary) Limited	108 416	—	(866)
Blue Label One (Proprietary) Limited	40 000	—	—
Budding Trade (Proprietary) Limited	6 000	—	—
Cellfind SA (Proprietary) Limited	290 000	—	—
Content Connect Africa (Proprietary) Limited	30 000	—	—
Datacel Direct (Proprietary) Limited	150 000	7 120	—
E-Voucha (Proprietary) Limited	2 500	—	—
Gold Label Investments (Proprietary) Limited	29 400	100 340	—
Kwikpay SA (Proprietary) Limited	22 500	—	—
Matragon (Proprietary) Limited	194 000	30 377	—
Matrix Investments No 4 (Proprietary) Limited	4 160	—	—
The Postpaid Company (Proprietary) Limited	*	—	—
SharedPhone International (Proprietary) Limited	20 000	3 216	—
The Prepaid Company (Proprietary) Limited	2 150 214	1 018 903**	—
Velociti (Proprietary) Limited	7 185	815	—
Ventury Group (Proprietary) Limited	98 406	—	(48 000)
Virtual Voucher (Proprietary) Limited	44 784	—	—
	3 264 085	1 174 310	(48 866)

* Less than R1 000

** R450 million of this balance is subordinated in favour of other creditors of The Prepaid Company (Proprietary) Limited

All subsidiaries are based in the Republic of South Africa. For details on percentage held and issued shares refer to note 29 in the group notes.

The directors believe that the carrying value of the shares approximate their fair value.

The above subsidiaries were acquired by the company as part of the restructuring of the group. R3,042 billion of the acquisition price was settled in shares and R184,6 million was settled in cash.



notes to the company annual financial statements (continued)
audited results as at 31 May 2008

	31 May 2008 Actual audited R'000	31 May 2007 Actual audited R'000
7. Loans receivable		
Interest free	476	–
Loans are unsecured and have no fixed terms of repayment	476	–
8. Trade and other receivables		
Receivables from related parties	32 104	–
Sundry debtors and prepayments	2 774	–
	34 878	–

The ageing of trade receivables at the reporting date was:

	Gross R'000	Impairment R'000
31 May 2008		
Fully performing	31 963	–
Past due by 1 to 30 days	67	–
Past due by 31 to 60 days	74	–
Past due by 61 to 90 days	–	–
Past due by more than 90 days	–	–
	32 104	–

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

	31 May 2008 Actual audited R'000	31 May 2007 Actual audited R'000
9. Cash and cash equivalents		
Cash at bank	611	
Cash on hand	1	
Favourable balances	612	
Bank overdraft	(49)	
	563	



	2008 Actual Number of shares	2007 Actual Number of shares	2008 Actual R'000	2007 Actual R'000
10. Share capital				
Authorised				
Total authorised share capital of ordinary shares	1 000 000 000	1 000	1	*
Par value of R0,000001 each (2007: Par value of R1 each)				
<i>Refer to the directors' report for the details of the special resolution passed to effect the change in the par value.</i>				
Issued				
Balance at the beginning of the year	1	1	*	*
Shares issued during the period	766 360 893	—	*	—
Balance at the end of the year	766 360 894	1	*	*
	Number	Issue price R	Share capital R'000	Share premium R'000
Shares issued during the period				
Shares issued to buy out minority shareholders on restructuring ¹	190 131 616	5,50	*	1 045 724
Shares issued to Brett Levy and Mark Levy to terminate the management bonus agreement ²	14 545 455	5,50	*	80 000
Shares issued to the previous shareholders of Blue Label Investments (Proprietary) Limited to purchase the said company ³	378 097 993	5,50	*	2 079 533
Shares issued as part of the preferential allocation in the private placing	148 148 148	6,75	*	1 000 000
Shares issued to Microsoft Corporation	35 437 682	6,75	*	239 204
	766 360 894		*	4 444 461

*Less than R1 000

1. Please refer to pre-listing statement for details of the minority shareholders that received shares as part of the restructuring (Step 4 - 13 in the overview of the restructuring).

2. Please refer pre-listing statement for details of the management bonus settlement agreement (Section 20.1).

3. Please refer to pre-listing statement for details (Step 3 in the overview of the restructuring).



notes to the company annual financial statements (continued)
audited results as at 31 May 2008

	31 May 2008 Actual audited R'000	31 May 2007 Actual audited R'000
11. Trade and other payables		
Trade payables	2 753	—
Accruals	15 630	—
Sundry creditors	1 542	—
VAT	3 890	—
	23 815	—
12. Operating profit		
The following items have been charged/(credited), in arriving at operating profit:		
Management fees received	(43 268)	—
Consulting fees	114	—
Foreign exchange loss	730	—
Impairment of loans	3 365	—
Insurance	988	—
Legal fees	282	—
Operating lease rentals – premises	717	—
Overseas travel	3 724	—
Rent and security	156	—
Repairs and maintenance	16	—
Audit fees	2 267	—
13. Finance (income)/costs		
Interest received		
– Bank	(2 631)	—
– Loans	(1 075)	—
	(3 706)	—
Interest paid		
– Bank	11	—
	11	—
Net finance income	(3 695)	—
14. Taxation		
Current tax	1 214	—
current year	1 214	—
Deferred tax	(137)	—
current year	(137)	—
	1 077	—
Tax rate reconciliation		
Net loss before tax	(224)	—
Tax at 28%	(62)	—
Adjusted for:		
– income not taxable	(118)	—
– expenditure not deductible	1 257	—
	1 077	—



	31 May 2008 Actual audited R'000	31 May 2007 Actual audited R'000
15. Cash flows from operating activities		
<i>Reconciliation of operating profit to cash flows</i>		
from operating activities:		
Operating loss	(3 919)	—
Adjustments for:		
Depreciation of property, plant and equipment	32	—
Amortisation on intangible assets	48	—
Impairment of loan	3 363	—
<i>Changes in working capital</i>		
Increase in trade and other receivables	(34 878)	—
Increase in trade and other payables	23 815	—
Increase in loans receivable	(476)	—
	(12 015)	—
16. Taxation paid		
Balance at beginning of year	—	—
Taxation charge	1 214	—
Balance at end of year	(1 214)	—
	—	—
17. Commitments		
Future operating lease charges for:		
Premises		
Payable within one year	1 265	—
Payable in 2 to 5 years	2 057	—
	3 322	—



notes to the company annual financial statements (continued)
for the year ended 31 May 2008

	31 May 2008 Actual audited R'000	31 May 2007 Predecessor value audited R'000
18. Related party transactions		
Related party relationships		
For details of subsidiaries, associates and joint ventures refer to note 29 in the group notes.		
For details of the company's directors, refer to the Directors' report.		
ZOK Cellular (Proprietary) Limited is a related party due to the company having common directorships.		
Moneyline 311 (Proprietary) Limited is a related party due to the company having common directorships.		
For details of the shareholdings in the company, refer to the Directors' report.		
The following transactions were carried out with related parties		
Sales to related parties		
The Prepaid Company (Proprietary) Limited	27	—
Purchases from related parties		
The Prepaid Company (Proprietary) Limited	351	—
Interest received from related parties		
Africa Prepaid Services (Proprietary) Limited	1 060	—
SharedPhone International (Proprietary) Limited	16	—
Management fees received from related parties		
Activi Technology Services (Proprietary) Limited	20	—
Africa Prepaid Services (Proprietary) Limited	174	—
Cellfind SA (Proprietary) Limited	1 245	—
Comm Express Service SA (Proprietary) Limited	720	—
Datacel Direct (Proprietary) Limited	330	—
E-Voucha (Proprietary) Limited	160	—
Gold Label Investments (Proprietary) Limited	350	—
IT Experts (Proprietary) Limited	20	—
Kwikpay SA (Proprietary) Limited	195	—
SharedPhone International (Proprietary) Limited	210	—
The Prepaid Company (Proprietary) Limited	39 597	—
Ventury Group (Proprietary) Limited	370	—
ZOK Cellular (Proprietary) Limited	99	—
Rent paid to related parties		
Moneyline 311 (Proprietary) Limited	717	—
Loans to related parties		
Africa Prepaid Services (Proprietary) Limited	13 539	—
Datacel Direct (Proprietary) Limited	7 120	—
Gold Label Investments (Proprietary) Limited	100 340	—
Matragon (Proprietary) Limited	30 377	—
SharedPhone International (Proprietary) Limited	3 216	—
The Prepaid Company (Proprietary) Limited	1 018 903	—
Velociti (Proprietary) Limited	815	—
Loans from related parties		
Blue Label Investments (Proprietary) Limited	866	—
Ventury Group (Proprietary) Limited	48 000	—
Amounts due from related parties		
Activi Technology Services (Proprietary) Limited	6	—
Comm Express Service SA (Proprietary) Limited	6	—
Datacel Direct (Proprietary) Limited	6	—
E-Voucha (Proprietary) Limited	11	—
The Prepaid Company (Proprietary) Limited	31 920	—
ZOK Cellular (Proprietary) Limited	113	—
Amounts due to related parties		
House of Business Solutions (Proprietary) Limited	2	—
Kwikpay SA (Proprietary) Limited	108	—
The Prepaid Company (Proprietary) Limited	400	—
Purchase of property, plant and equipment from related party		
Blue Label Investments (Proprietary) Limited	866	—
Basis of transactions		
All transactions with related parties are conducted on an arm's length basis		



Reconciliation between group net profit and group pro forma net profit:

The table below sets out the unaudited pro forma information of BLT. The unaudited group pro forma income statement has been prepared for illustrative purposes only.

	31 May 2008 Actual ⁽¹⁾ Audited R'000	Restructuring and acquisitions ⁽²⁾ R'000	Cash effects ⁽³⁾ R'000	31 May 2008 Pro forma ⁽⁴⁾ Unaudited R'000
Revenue	12 545 471	385 138	—	12 930 609
Other income	69 545	(1 403)	—	68 142
Changes in inventories of finished goods	(11 875 606)	(335 901)	—	(12 211 507)
Employee compensation and benefit expense	(265 003)	(10 626)	—	(275 629)
Depreciation, amortisation and impairment charges	(58 670)	(15 005)	—	(73 675)
Other expenses	(146 240)	(18 446)	—	(164 686)
Operating profit	269 497	3 757	—	273 254
Finance income	193 281	(215)	46 404	239 470
Finance expense	(147 704)	(1 433)	42 533	(106 604)
Share loss of associates	(17 441)	(2 220)	—	(19 661)
Profit for the period before taxation	297 633	(111)	88 937	386 459
Taxation	(89 841)	(1 785)	(24 903)	(116 529)
Net profit	207 792	(1 896)	64 034	269 930
<i>Reconciliation between net profit and core net profit attributable to equity holders:</i>				
Net profit	180 891	24 498	64 034	269 423
Management bonus settlement net of tax	57 600	—	—	57 600
Amortisation on intangibles raised through business combinations net of tax	22 937	11 982	—	34 919
Cancellation of onerous contract	9 000	—	—	9 000
Core net profit	270 428	36 480	64 034	370 942
<i>Net profit attributable to:</i>	207 792	(1 896)	64 034	269 930
Equity holders of parent	180 891	24 498	64 034	269 423
Minority interest	26 901	(26 394)	—	507
<i>Core net profit attributable to:</i>	301 409	7 650	64 034	373 093
Equity holders of parent	270 428	36 480	64 034	370 942
Minority interest	30 981	(28 830)	—	2 151
Earnings per share on profit attributable to equity holders (cents)*				
– Basic	30,65			35,16
– Headline	30,26			34,86
– Core	45,81			48,40
Number of ordinary shares in issue	766 360 894			766 360 894
Weighted average number of ordinary shares in issue	590 263 513			766 360 894

* There are no potentially dilutive equity instruments in issue

Notes

1. Extracted from the audited group income statement of BLT for the year ended 31 May 2008.
2. Represents the effects of the group restructure based on the assumption that minority acquisitions occurred on 1 June 2007.
The following subsidiaries are therefore consolidated as wholly owned for the full year:
 - The Prepaid Company
 - Kwipay
 - Matragon
 - Blue Label One
Similarly, the following associates are consolidated as subsidiaries for the full year:
 - 72% Africa Prepaid Services
 - 100% Virtual Voucher
 - 100% Cellfind SA
 - 100% Datacel
 - 100% House of Business Solutions
3. Represents the positive impact on finance income and expense assuming cash raised on listing was received 1 June 2007.
4. Represents the pro forma unaudited group income statement of BLT on the assumption that the restructuring, listing and minority acquisitions were effective 1 June 2007.
5. All adjustments are expected to have a continuing effect on BLT.