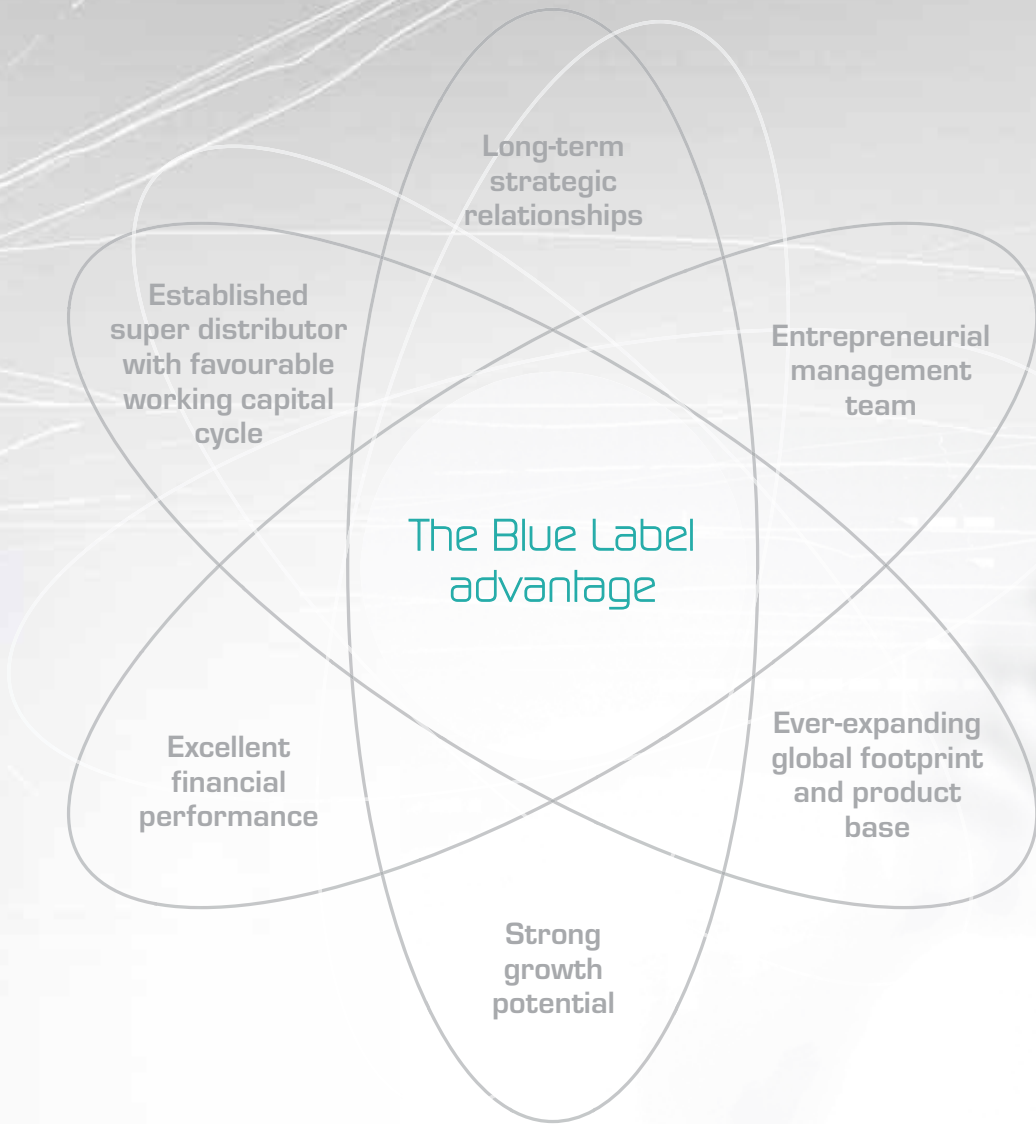


chairman's report



Embracing opportunities

Larry Nestadt – Chairman



chairman's report (continued)

Dear stakeholders

I am pleased to be reporting on a financial period that culminated in Blue Label Telecoms and its subsidiary and associate companies (the group) exceeding the unaudited pro forma and forecast financial information contained in its pre-listing statement (PLS).

The group's South African operations performed above expectations and delivered an excellent financial performance for the year ended 31 May 2008, recording a 14,75% increase in actual revenue when compared to its PLS and 41% when compared to its predecessor value audited 2007 results.

This significant increase in group revenue equates to a 25,5% increase in actual net profit and a 16,5% increase in actual basic earnings per share when compared to the group's PLS.

While the Chief Financial Officer's Report provides greater detail on the group's overall financial performance, it is important for shareholders to note that the group's pro forma core earnings of R371 million are viewed as the most appropriate base from which to measure the group's current and future financial performance.

When measured against its pro forma performance, the group reported a 16,4% increase in pro forma revenue, a 9,0% increase in pro forma core net profit and a 5,7% increase in its pro forma core basic earnings per share when compared to its PLS.

The group's successful listing on the JSE Limited raised R1,32 billion in cash which was used to settle the majority of the group's borrowings, to buy-out the balance of the group's minority shareholders, to settle shareholder loan accounts and to provide funding for both organic and acquisitive growth. Since its listing the group has spent R290 million on strategic acquisitions, of which R140 million was spent prior to the financial year-end. The salient details of these acquisitions appear in both the joint Chief Executive Officers' and Chief Financial Officer's Reports.

Good trading results and stringent asset and treasury management have resulted in significant group cash on hand at year end, leaving the group highly liquid and well placed to support planned organic growth and acquisitions.

Microsoft Corporation's (Microsoft) acquisition of a 12% equity stake in the group, its acquisition of a 38,85% equity stake in Oxigen Services India and the conclusion of a strategic collaboration agreement between the group and Microsoft were key strategic highlights for the financial year.

The board is pleased with the significant momentum already created with Microsoft in a number of strategic initiatives and the group and Microsoft are firmly on track to jointly develop innovative products, services and solutions that will be rolled out across selected geographies in due course.

The joint Chief Executive Officers' Report provides additional detail on this key strategic partnership as well as providing further insight into the group's medium-term goals.

Directorate

I am pleased to welcome Mr Peter Mansour as Microsoft's non-executive director on the group's board. Mr Mansour's experience, coupled with his insight and understanding of both the group and Microsoft, strategically and operationally, will make him an invaluable member of the board.

JSE share dealing investigation

During the year the group was investigated for contraventions of the JSE Limited (JSE) Listings Requirements relating to dealings in Blue Label Telecoms' shares by directors and their spouses. The JSE's investigation subsequently found that while the company had not contravened any Listings Requirements, three directors of The Prepaid Company, a major group subsidiary, had contravened Rules 3.65, 3.66, 3.71(a) and 3.72 of the JSE Listings



The group is well positioned to expand its global transactional footprint

Requirements. The salient details of the JSE's investigation and the findings of a board appointed governance committee are provided in the Corporate Governance section of this report.

Transformation and BBBEE

The board embraces South Africa's codes on transformation and broad-based black economic empowerment (BBBEE) and has tasked a transformation sub-committee to rapidly develop framework policies and guidelines in order to significantly enhance the whole group's transformation and BBBEE credentials. The sustainability report provides further clarity on the implementation of the group's transformation initiatives.

Prospects

The group is financially sound and well positioned to organically grow its share in the markets in which it currently operates and to expand its global transactional footprint. This growth will provide the group with additional critical mass from which to diversify its revenue base and product and service offerings.

The group will continue to develop its range of prepaid products, value added services and transactional products and services to improve its ability to generate revenue, entrench its market share and enhance its gross margins.

Appreciation

On behalf of the board I would like to thank the group's management and staff for their commitment and hard work over the year. I would also like to thank the group's suppliers, customers, business partners, advisers and shareholders for their ongoing support as well as my fellow board members for their counsel.

I look forward to being able to report on the group's progress, both financially and strategically, a year from now.



Larry Nestadt
Chairman