

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

32. 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 Blue Label Telecoms Group.

Historically, the technology segment was reported on separately. As the bulk of its function and services are interdependent in the distribution of airtime, electricity and starter packs, it is more prudent to house its expenditure in the South African distribution segment. Accordingly, the technology segment has been included in the South African distribution segment and the comparative segmental results have been restated in accordance with IFRS 8 – *Operating Segments*.

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

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

32. Segmental summary (continued)

At 31 May 2013, 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 Africa, and the distribution of starter packs in Africa.
- 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.

The segmental information in respect of the Group's discontinued operations has been excluded from the segmental summary below. The discontinued operations were contained in the international segment.

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

32. Segmental summary (continued)

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

	Total		South African distribution	
	2013 R'000	2012 R'000	2013 R'000	2012 R'000
Total segment revenue	24 720 865	30 173 943	24 363 215	29 883 770
Inter-segment revenue	(5 736 655)	(11 458 553)	(5 651 135)	(11 444 082)
Revenue	18 984 210	18 715 390	18 712 080	18 439 688
Segment result				
Operating profit/(loss) before depreciation, amortisation and impairment charges	713 622	750 482	796 439	737 488
Depreciation and amortisation	(56 143)	(78 348)	(48 450)	(52 679)
Impairment of property, plant and equipment	(3 408)	(12 737)	(3 408)	(12 737)
Impairment of intangible assets	—	(204)	—	(204)
Impairment of loans	(8 400)	(268)	(1 150)	—
Finance costs	(167 096)	(181 081)	(166 592)	(180 293)
Finance income	173 260	170 995	162 459	168 255
Share of (losses)/profits from associates and joint ventures	(47 326)	(19 835)	543	(510)
Taxation	(196 404)	(194 075)	(175 675)	(152 057)
Net profit/(loss) for the year	408 105	434 929	564 166	507 263
Reconciliation of net profit for the year to core net profit for the year				
Net profit/(loss) for the year	408 105	434 929	564 166	507 263
Amortisation of intangibles raised through business combinations net of tax	13 293	17 946	8 281	9 348
Core net profit/(loss) for the year	421 398	452 875	572 447	516 611
Core net profit/(loss) for the year attributable to:				
Equity holders of parent	437 516	461 289	570 766	513 130
Non-controlling interest	(16 118)	(8 414)	1 681	3 481
Non-cash items				
Net profit/(loss) on sale of subsidiaries	120	(3 014)	2 147	—
Net profit/(loss) on disposal of associates	2 273	(3 025)	1 400	—
Discounting of receivables	127 773	111 269	127 773	111 245
Discounting of payables	(143 329)	(177 774)	(143 329)	(177 774)

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

International distribution		Mobile		Solutions		Corporate	
2013 R'000	2012 R'000	2013 R'000	2012 R'000	2013 R'000	2012 R'000	2013 R'000	2012 R'000
—	17 429	220 393	96 084	137 257	176 660	—	—
—	—	(68 973)	(8 840)	(16 547)	(5 631)	—	—
—	17 429	151 420	87 244	120 710	171 029	—	—
(31 000)	(15 901)	37 055	97 359	24 703	38 927	(113 575)	(107 391)
—	(240)	(3 275)	(13 442)	(3 336)	(5 272)	(1 082)	(6 715)
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
(30)	(642)	(69)	(90)	(889)	(268)	(6 361)	—
8 593	1 420	541	24	482	490	1 185	806
(49 036)	(19 182)	—	—	1 167	(143)	—	—
(5 997)	(5 859)	(9 157)	(14 581)	(5 266)	(8 730)	(309)	(12 848)
(77 470)	(40 404)	25 095	69 270	16 856	24 984	(120 542)	(126 184)
(77 470)	(40 404)	25 095	69 270	16 856	24 984	(120 542)	(126 184)
4 176	3 841	798	4 692	38	65	—	—
(73 294)	(36 563)	25 893	73 962	16 894	25 049	(120 542)	(126 184)
(50 685)	(20 943)	24 787	73 962	13 190	21 324	(120 542)	(126 184)
(22 609)	(15 620)	1 106	—	3 704	3 725	—	—
—	—	(2 027)	—	—	—	—	(3 014)
—	—	—	—	873	—	—	(3 025)
—	—	—	—	—	24	—	—
—	—	—	—	—	—	—	—

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

32. Segmental summary (continued)

	Total		South African distribution	
	2013 R'000	2012 R'000	2013 R'000	2012 R'000
The segment assets and liabilities at 31 May are as follows:				
Assets excluding investments in associates and joint ventures	5 196 385	4 578 061	4 950 040	4 363 743
Investment in associates and joint ventures	524 162	357 471	—	318
Total assets	5 720 547	4 935 532	4 950 040	4 364 061
Additions to non-current assets				
Property, plant and equipment	20 042	29 900	15 862	24 156
Intangible assets and goodwill	297 501	146 283	294 331	143 386
Investment in associates	138 174	—	—	—
Investment in joint ventures	—	—	—	—
Total liabilities	(2 477 694)	(2 021 146)	(2 331 195)	(1 908 886)

The company is domiciled in the Republic of South Africa. The result of its revenue from external customers in South Africa is R18.984 billion (2012: R18.698 billion), and the total of revenue from external customers from other countries is nil (2012: R17.4 million).

The total of non-current assets other than financial instruments and deferred tax assets located in South Africa is R841 million (2012: R647 million), and the total of these non-current assets located in other countries is R481 million (2012: R333 million).

The South African distribution segment includes revenue earned from a single external customer totalling R3.577 billion (2012: R1.810 billion).

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

International distribution		Mobile		Solutions		Corporate	
2013 R'000	2012 R'000	2013 R'000	2012 R'000	2013 R'000	2012 R'000	2013 R'000	2012 R'000
(40 633)	(18 836)	94 581	62 278	144 172	136 758	48 225	34 118
522 345	356 330	—	—	1 817	1 239	—	(416)
481 712	337 494	94 581	62 278	145 989	137 997	48 225	33 702
—	—	2 530	1 009	781	4 121	869	614
—	—	2 500	2 299	661	349	9	249
138 174	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
(22 238)	(17 436)	(39 036)	(16 187)	(32 086)	(33 011)	(53 139)	(45 626)