

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

35. Subsequent events

A final dividend of R168.6 million (25 cents per ordinary share) was declared for the year ended 31 May 2013, payable on Monday, 16 September 2013 to shareholders recorded in the register at the close of business on Friday, 6 September 2013.

On 1 June 2013 Blue Label Telecoms acquired the remaining 49% of the issued share capital of Panacea Mobile Proprietary Limited and the remaining 40% of the issued share capital of TicketPros Proprietary Limited for a purchase consideration of R11.5 million and R4.7 million respectively.

In June 2013, the Group secured a distribution agreement with a leading reseller at a purchase price of R84 million. This will further enhance the Group's prominence in the distribution of prepaid services.

36. Litigation update

In December 2008 Africa Prepaid Services Proprietary Limited (APS), a subsidiary of Blue Label 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 Blue Label.

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.

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.

The arbitration was due to commence in November 2012 but was postponed and is due to reconvene in February 2014.

Telkom and MLT have instituted an action in the High Court against Blue Label, APS, APSN and certain individuals, including a former senior executive of Telkom in the High Court 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 Blue Label 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 Blue Label was a party to.

Notes to the Group annual financial statements continued

For the year ended 31 May 2013

36. Litigation update (continued)

On 16 May 2013 Telkom and MLT obtained an order without notice to APSN in terms of which APSN's claim against MLT in the arbitration proceedings together with a costs order in APSN's favour were purportedly attached in order to give the High Court jurisdiction over APSN in the action (the ex parte order).

Telkom and MLT have conceded that there was no basis for the attachment and have abandoned the ex parte order. APSN is seeking a punitive order for costs against Telkom and MLT, which was set down for a hearing commencing on 19 August 2013. The High Court will simultaneously determine an application which has been launched by MLT to stop the arbitration proceedings, which is being opposed by APSN.

At the time of approving the annual financial statements the outcome of these proceedings is yet to be pronounced upon by the court. A further announcement will be made when the court delivers its judgment.
