

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
Datcel Group	4.50

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

6. INVESTMENTS IN AND LOANS TO ASSOCIATES AND JOINT VENTURES**Cost and share of reserves at the beginning of the year**

	2014 R'000	2013 R'000
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.

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)

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 %
Oxygen 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 %
Oxygen Services India Private Limited	*	(5.1)	31.5
Blue Label Mexico S.A. de C.V.	(4.6)	*	2.8

* Not applicable.

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)

Loans to associates and joint ventures

	Interest rate	2014 R'000	2013 R'000
Oxygen 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

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)

Associates

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

Associate	Smart Voucher Limited trading as Ukash		Oxygen 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		Oxygen 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.

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)

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

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)

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.

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)

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