

# Reviewed interim results

## for the half year ended 30 November 2007



**BLUE LABEL**  
TELECOMS

- Successful listing and capital raising of R1.3 billion
- Microsoft Corporation's acquisition of a 12% equity stake in the Group and conclusion of strategic collaboration agreement
- Microsoft Corporation's acquisition of a 38.85% equity stake in Oxigen Services India
- Revenue of R5.8 billion
- *Pro forma* core net income after tax of R180 million

### Condensed Group Balance Sheet

	30 November 2007 Actual Reviewed R'000	30 November 2006 Restated Unaudited R'000
<b>Assets</b>		
<b>Non-current assets</b>	<b>455 504</b>	199 870
Property, plant and equipment	53 594	37 840
Intangible assets	189 291	58 591
Goodwill	177 804	44 774
Investment in associates and joint ventures	34 815	58 665
<b>Current assets</b>	<b>2 676 510</b>	1 714 175
Financial assets at fair value through profit and loss	16 399	12 882
Inventories	229 847	225 286
Loans receivable	10 034	81 698
Intangible assets	112 353	51 073
Trade and other receivables	578 334	348 940
Cash and cash equivalents	1 728 343	994 316
<b>Total assets</b>	<b>3 132 014</b>	1 914 045
<b>Equity and liabilities</b>		
<b>Capital and reserves</b>	<b>1 763 022</b>	382 976
Share capital and share premium	4 404 616	2 079 533
Restructuring reserve	(1 843 913)	(1 843 400)
Foreign currency translation reserve	3 626	2 589
Retained earnings/(accumulated loss)	(820 230)	31 837
Minorities interest	1 744 099	270 559
Non-current liabilities	18 923	112 417
Deferred taxation	68 447	247 557
Interest bearing borrowings	54 087	17 034
Current liabilities	14 360	230 523
Trade and other payables	1 300 545	1 283 512
Non-interest bearing borrowings	1 253 271	973 194
Current tax liabilities	16 525	30 308
Current portion of interest-bearing borrowings	26 436	41 004
	4 313	239 006
<b>Total equity and liabilities</b>	<b>3 132 014</b>	1 914 045

### Condensed Group Cash Flow Statement

	Six months ended 30 November 2007 Actual Reviewed R'000	30 November 2006 Restated Unaudited R'000
<b>Cash flows from operating activities</b>	<b>141 867</b>	151 601
Cash received from customers	5 500 141	3 755 299
Cash paid to suppliers and employees	(5 346 851)	(3 592 756)
Cash generated from operations	153 290	162 543
Interest received	66 334	36 404
Interest paid	(43 858)	(23 356)
Taxation paid	(34 099)	(23 990)
<b>Cash flows from investing activities</b>	<b>(186 451)</b>	(16 760)
Net proceeds on disposal of intangible assets	–	263
Net purchase of intangible assets	(8 382)	–
Purchase of financial assets at fair value through profit and loss	(780)	(693)
Proceeds on disposal of available for sale financial assets	1 157	–
Acquisition of subsidiaries	(183 993)	(3 900)
Net loans repaid by/advanced to associates	12 283	(1 210)
Dividends received	(8 120)	135
Net purchase of fixed assets	(6 856)	(11 355)
<b>Cash flows from financing activities</b>	<b>677 672</b>	141 712
Proceeds from/(repayment of) interest bearing borrowings	(562 749)	111 404
Purchase of minority loan claims	(25 234)	–
Proceeds from/(repayment of) non-interest bearing borrowings	(16 070)	30 308
Proceeds from issue of shares	1 321 571	–
Listing costs paid	(39 846)	–
<b>Increase in cash and cash equivalents</b>	<b>633 088</b>	276 553
Cash and cash equivalents at the beginning of the period	1 090 044	–
Cash and cash equivalents acquired in subsidiaries	5 211	717 763
<b>Cash and cash equivalents at the end of the period</b>	<b>1 728 343</b>	994 316

The *pro forma* results have been prepared to show the impact of the restructuring and listing on the BLT actual results for the half year ended 30 November 2007. It is important to note that these results assume that the listing, restructuring and minority acquisitions took place on 1 June 2007. As a result, most associates are now consolidated as subsidiaries for the full six months. Similarly most subsidiaries are consolidated as wholly owned for the full six months. The *pro forma* results assume cash raised on listing was received on 1 June 2007, impacting positively on finance income and similarly finance expenses.

### Income statement

The net profit before tax and interest is after the deduction of the non-recurring management bonus settlement of R60 million, and the cancellation of the commission contract of R9 million both mentioned above.

Net interest paid of R17 million originally budgeted for did not materialise due to predecessor accounting principles. In terms of these principles the shareholders' loans and non-core receivables assets are assumed to be settled on 1 June 2006.

The Group's overall effective tax rate for the period is 37%. This is as a result of certain non-deductible expenses.

### Dividends

One of the subsidiary companies declared a dividend, of which R1 million has accrued to the minority shareholder (49.9%).

As per the Group's dividend policy, disclosed in its pre-listing statement, BLT will only consider paying a dividend from the financial year commencing 1 June 2010.

### Balance sheet

The Group's successful listing resulted in the raising of cash totalling R1.3 billion. Of this R570 million was utilised to repay the majority of the Group's borrowings and R184 million was paid for the acquisition of minority interests in key subsidiaries.

The Group has a strong balance sheet which is attributable to good trading results, proactive attention to working capital management and significant cash balances. R450 million of this cash relates to the net funds remaining from the listing proceeds, which funds have been earmarked for future strategic acquisitions.

The restructuring reserve arose as a result of the restatement of comparatives, as required in terms of the principles of predecessor accounting. This reserve represents the difference between the fair value of the entities under the Group's control and their respective net asset values, as at the assumed restructure date of 1 June 2006.

As a result of the restructuring, additional intangible assets amounting to R120.8 million have been recognised. The useful life of the majority of these assets is five years and consequently will be amortised accordingly.

### Change in accounting policy

BLT has changed its accounting policy with regard to accounting for transactions with minorities. This differs to the Group's disclosure in its pre-listing statement. BLT has adopted the Economic Entity method, which is consistent with the requirements of IFRS 3 Revised (Business Combinations), and IAS 27 Revised (Consolidated and Separate Financial Statements). Under this policy, goodwill arising on transactions with minorities is recognised against reserves on the balance sheet, as minority shareholders are treated as equity participants. The remaining goodwill on the balance sheet relates to acquisitions of subsidiaries where the Group was not transacting with minorities.

### STRATEGIC RELATIONSHIP WITH MICROSOFT AND ADDITIONAL INVESTMENT IN OXIGEN INDIA

On 7 November 2007, BLT and the Microsoft Corporation signed a strategic collaboration agreement to provide each other with mutual assistance in exploring new business opportunities and preferred partnership initiatives across the world's emerging markets. Both BLT and Microsoft are pleased with the significant momentum and progress made to date and are optimistic about extending their relationship going forward to jointly bring technology and value to emerging markets globally. BLT is focused on becoming Microsoft's global touch point and secure electronic tokens partner.

BLT currently holds 35% of the equity in Oxigen Services India (OSI). On 29 December 2007 it concluded a share sale and subscription agreement, to increase its stake in OSI to 38.85%, subject to Reserve Bank approval, which is still pending.

This was pursuant to an agreement entered into between BLT, Microsoft Corporation and the existing operational partners in terms of which Microsoft simultaneously took up a 38.85% stake in OSI on a sale and subscription basis.

OSI is currently incurring losses as it continues to develop its infrastructure, asset base and points of presence across India. The Group's share of the loss for the period under review was R6.5 million.

Microsoft has signed a collaboration agreement with OSI which shall enable the business to increase its product and technology offerings and pursue additional advertising revenue opportunities.

### PROSPECTS

The directors of BLT are pleased with the Group's half year performance, which exceeded management expectations and internal budgets.

BLT plans to focus on growing its mobile offering and further enhancing its bouquet of proprietary and third party value added products and services. These initiatives are expected to enhance BLT's annuity based income stream in the medium term, compounding over the longer term.

BLT will focus on organically enhancing the growth of its global secure electronic token and transactional services footprint and will concentrate on looking for strategic and complementary acquisition opportunities.

BLT's strategic partnership with Microsoft positions it well to become Microsoft Corporation's preferred emerging market touch point, secure electronic token and mobile partner.

### CORPORATE GOVERNANCE

The directors and senior management of BLT endorse the Code of Corporate Practices and Conduct as set out in the King II Report on Corporate Governance. To date, the directors of BLT have formed Remuneration and Nomination, Investment, Audit and Risk Management and Transformation Committees of the Board.

### REVIEW OPINION

The results for the period ended 30 November 2007 have been reviewed by the Company's auditors, PricewaterhouseCoopers Incorporated, and the unqualified review report is available for inspection at the Company's registered office.

### APPRECIATION

The Board of BLT would like to thank BLT's staff for their commitment and hard work over the period under review, which included the significant effort required to list BLT on the Main Board of the JSE Limited. The Board would also like to thank BLT's many suppliers, customers, business partners, advisors and shareholders for their ongoing support.

By order of the Board

**LM Nestadt**  
Chairman

**BM Levy and MS Levy**  
Joint Chief Executive Officers

**DB Rivkind**  
Chief Financial Officer

### Directors:

LM Nestadt (Chairman)\* BM Levy MS Levy S Ellerin\* GD Harlow\* RJ Huntley\* NN Lazarus\* JS Mthimunya\* MV Pamensky DB Rivkind HC Theledi\* LM Tjalimpi\* (\*Non-Executive)

Company Secretary: E Viljoen

### Blue Label Telecoms Limited

(Incorporated in the Republic of South Africa)  
(Registration number 2006/022679/06)  
JSE Share code: BLU ISIN: ZAE000109088  
(\*BLT\* or "the Company")

### Condensed Group Income Statement

	30 November 2007 <i>Pro forma</i> Unaudited R'000	Six months ended 30 November 2007 Actual Reviewed R'000	30 November 2006 Restated Unaudited R'000
<b>Revenue</b>	6 174 559	<b>5 797 260</b>	4 104 239
Other income	22 268	15 451	26 611
Cost of inventories sold	(5 807 484)	(5 471 583)	(3 904 104)
Employee compensation and benefit expense	(164 693)	(166 420)	(58 494)
Depreciation, amortisation and impairment charges	(33 934)	(18 928)	(14 044)
Other expenses	(83 109)	(64 281)	(37 503)
<b>Operating profit</b>	107 607	<b>91 499</b>	116 705
Finance income	104 623	72 576	39 175
Finance expense	(52 142)	(92 451)	(51 384)
Share of profit/(loss) of associates	(6 573)	(4 253)	982
<b>Profit for the period before taxation</b>	153 515	<b>67 271</b>	105 458
Taxation	(16 261)	(26 568)	(30 819)
<b>Net profit for the period</b>	100 254	<b>40 703</b>	74 640

### Reconciliation between net profit for the period and core net profit for the period

Once off employee compensation and benefit expense net of tax	56 800	56 800	–
Amortisation on intangibles raised through business combinations	–	–	–
net of tax	16 800	6 887	5 170
Cancellation of commission contract	9 000	9 000	–
<b>Core net profit for the period</b>	182 854	<b>113 390</b>	79 810
<b>Net profit for the period attributable to:</b>	100 254	<b>40 703</b>	74 640
Equity holders of parent	99 072	14 379	46 730
Minority interest	1 182	26 324	27 910
<b>Core net profit for the period attributable to:</b>	182 854	<b>113 390</b>	79 810
Equity holders of parent	180 707	85 095	49 477
Minority interest	2 147	28 295	30 333
Earnings per share for profit attributable to equity holders (cents)			
– Basic	12.93	3.47	12.36
– Headline	13.10	3.79	9.35
– Core	23.58	20.55	13.09
Weighted average number of shares	766 360 894	414 166 131	378 097 993
Number of shares in issue	766 360 894	766 360 894	378 097 993

### Condensed Group Statement of Changes in Equity

	Share capital and share premium R'000	Retained earnings/ accumulated loss) R'000	Restructuring reserve R'000	Foreign currency translation reserves R'000	Minorities interest R'000	Total equity R'000
Balance as at 1 June 2006	–	2 079 533	–	–	–	81 205
Net profit for the period	–	46 730	–	–	27 910	74 640
Transactions with minorities	–	(14 893)	151 511	–	84 507	221 125
Associates acquired during the period	–	–	3 417	–	–	3 417
Exchange gains on translation of foreign operations	–	–	–	2 589	–	2 589
Balance as at 30 November 2006	–	2 079 533	31 837	2 589	112 417	382 976
<b>Balance as at 1 June 2007</b>	<b>2 079 533</b>	<b>50 792</b>	<b>(1 843 913)</b>	<b>4 187</b>	<b>129 440</b>	<b>420 039</b>
Shares issued during the period	2 364 929	–	–	–	–	2 364 929
Net profit for the period	–	14 379	–	–	26 324	40 703
Listing costs	–	(39 846)	–	–	–	(39 846)
Dividends declared	–	(999)	–	–	–	(999)
Transactions with minorities	–	(884 402)	–	–	(136 748)	(1 021 150)
Exchange losses on translation of foreign operations	–	–	–	(561)	(93)	(654)
<b>Balance as at 30 November 2007</b>	<b>4 404 616</b>	<b>(820 230)</b>	<b>(1 843 913)</b>	<b>3 626</b>	<b>18 923</b>	<b>1 763 022</b>

### Segmental Summary

	Revenue		Operating profit/(loss)		EBITDA		Net operating assets/(liabilities)	
	30 November 2007 Actual Reviewed R'000	30 November 2006 Restated Unaudited R'000	30 November 2007 Actual Reviewed R'000	30 November 2006 Restated Unaudited R'000	30 November 2007 Actual Reviewed R'000	30 November 2006 Restated Unaudited R'000	30 November 2007 Actual Reviewed R'000	30 November 2006 Restated Unaudited R'000
Telecommunication Distribution	5 623 868	4 088 292	103 027	122 688	115 376	134 400	1 397 335	438 624
International Telecommunication Distribution	103 364	10 066	6 822	3 495	8 752	4 203	3 947	(4 972)
Technology Platforms	14 342	190	(5 883)	(1 388)	(3 981)	(141)	2 514	(132)
Related Services	55 486	5 691	10 987	(340)	13 301	(337)	3 326	(453)
Corporate	–	–	(23 464)	(7 750)	(23 041)	(7 376)	(31 157)	(2 404)
<b>Total</b>	<b>5 797 260</b>	<b>4 104 239</b>	<b>91 499</b>	<b>116 705</b>	<b>110 427</b>	<b>130 749</b>	<b>1 375 965</b>	<b>430 663</b>

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International Activi Technology Services Blue Label One Datacel CellFind  
e-Voucha