BLUE LABEL
TELECOMS

UNAUDITED RESULTS

for the half year ended 30 November 2014

HIGHLIGHTS

Increase in revenue of

14% to

R10.3 billion

Increase in gross profit of

11% to

R788 million

Increase in gross profit margins

from 7.48% to

7.62%*

Increase in EBITDA of

20% to

R516 million

Increase in headline earnings per share of

15% to

42.73 cents

Increase in core earnings per share of

17% to

44.47 cents

**Excluding imputed IFRS interest adjustments.*

COMMENTARY

Headline earnings per share increased by 15% to 42.73 cents. This growth was achieved in spite of the Group's share of losses in Blue Label Mexico increasing by R14.5 million, negatively impacting on growth in headline earnings per share by 2.17 cents.

The growth in earnings was primarily attributable to increases in revenue of 14%, gross profit of 11% and EBITDA of 20%. Gross profit margins increased from 7.48% to 7.62% on exclusion of imputed IFRS interest adjustments. The growth in margins was achieved through the efficient application of cash resources to bulk inventory purchases at favourable discounts, early settlement supplier discounts, an increase in commissions earned on the distribution of prepaid electricity and compounding annuity income.

The South African distribution segment continues to be the predominant contributor to Group profitability through the expansion of its offerings into its multitude of distribution channels. It is a reliable aggregator for several suppliers, supported by a responsive service. Its reputation continues to be one of trust and reliability.

The recently acquired Retail Mobile Credit Specialists (RMCS) and Viamedia, both performed according to expectations in enhancing Group profitability.

The secure and safe banking and financial services provided by Oxigen Services India, continue to gain momentum with deposits reaching USD2.7 million per day at the interim stage. It has become the largest provider in India of domestic money remittances on the Interbank Mobile Payment Service network, a platform provided by the National Payments Corporation of India.

BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with the JSE Limited Listings Requirements, the presentation and disclosure requirements of IAS 34 – Interim Financial Reporting and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

These condensed consolidated interim financial statements have been prepared in accordance with the going concern principle, under the historical cost convention, except for certain financial and equity investments which have been measured at fair value. The accounting policies and methods of computation are consistent with those applied in the annual financial statements for the year ended 31 May 2014 and with those applied in the previous condensed consolidated interim financial statements, with the exception of the standards that are effective for the first time in the current period. These have been disclosed in note 1 to the consolidated annual financial statements for the year ended 31 May 2014. These standards have not had a significant impact on the interim financial statements.

We aim to provide stakeholders with the same additional information that management uses to evaluate the performance of the Group's operations.

Accordingly, we make reference to gross profit, as well as operating profit before depreciation, amortisation and impairment charges (EBITDA) excluding imputed IFRS interest adjustments.

In addition, the Group applies core net profit as a non-IFRS measure in evaluating the Group's performance. This supplements the IFRS measures. Core net profit is calculated by adjusting net profit for the year with the amortisation of intangible assets that arise as a consequence of the purchase price allocations completed in terms of IFRS 3(R): Business Combinations.

The results have not been reviewed or audited for the period ended 30 November 2014.

SEGMENTAL REPORT

South African distribution

	Unaudited 30 November 2014 R'000	Unaudited 30 November 2013 R'000	Growth R'000	Growth
Revenue	**10 157 038**	8 923 465	1 233 573	14%
Gross profit	**696 195**	621 463	74 732	12%
EBITDA	**507 718**	448 264	59 454	13%
Core net profit	**347 668**	307 835	39 833	13%
Gross profit margin	**6.85%**	6.96%		
EBITDA margin	**5.00%**	5.02%		

The increase in revenue by 14% was predominantly achieved through access to additional channels of distribution. Revenue generated on "PINless top-ups" increased by R468 million from R721 million to R1.189 billion. As only the commission earned thereon is accounted for, the effective growth in Group revenue equated to 18%.

Net commissions earned on the distribution of prepaid electricity increased by R12 million to R79 million (18%) on revenue of R5.3 billion generated on behalf of the utilities.

The gross profit increase of 12% was achieved after inclusion of imputed IFRS interest adjustments. On exclusion of these adjustments for the current period and the comparative period, gross profit increased by R107 million, equating to an effective growth of 18%. Similarly the impact on gross profit margins on exclusion of imputed IFRS interest adjustments equated to a growth from 6.62% to 6.85%.

The growth in EBITDA of 13% was inclusive of the effects of imputed IFRS interest adjustments. On exclusion of these adjustments, a more representative growth of R92 million was achieved, equating to a 22% growth, with EBITDA margins increasing from 4.69% to 5.01%.

Core net profit increased by 13% after an increase in finance costs and non-controlling interests. The increase in finance costs was congruent with the application of cash resources to acquisitions, dividends paid, bulk purchasing transactions and early settlement discounts.

International distribution

	Unaudited 30 November 2014 R'000	Unaudited 30 November 2013 R'000	Growth R'000	Growth
EBITDA	**(4 511)**	(9 790)	5 279	54%
Share of (losses)/profits from associates and joint ventures	**(42 128)**	(30 285)	(11 843)	(39%)
– Ukash	**7 379**	6 937	442	6%
– Oxigen Services India	**(666)**	(3 537)	2 871	81%
– Blue Label Mexico	**(45 194)**	(30 709)	(14 485)	(47%)
– Other	**(3 647)**	(2 976)	(671)	(23%)
Core net loss	**(45 881)**	(37 809)	(8 072)	(21%)
– Equity holders of the parent	**(39 666)**	(30 132)	(9 534)	(32%)
– Non-controlling interests	**(6 215)**	(7 677)	1 462	19%

The positive movement in EBITDA of R5.3 million was mainly attributable to a decline in expenditure on legal fees from R10.5 million to R7.3 million incurred by Africa Prepaid Services Nigeria (APSN) and a decline in employee costs by R1.4 million. These costs will not perpetuate as the litigation has been settled.

The share of net losses from associates and joint ventures comprised the following:

Ukash

The Group's share of profits in Ukash, after the amortisation of intangible assets, increased by 6% from R6.9 million to R7.4 million. During November 2014, an agreement was signed whereby Blue Label Telecoms will dispose of its interests in Ukash. Completion of the transaction will take place after receipt of the necessary regulatory approvals.

Oxigen Services India

The Group's share of losses declined from R3.5 million to R0.7 million, after the amortisation of intangible assets of R0.7 million. This positive turnaround was attributable to increases in revenue by 16% and gross profit by 36%, reported in their local currency.

The benefits of Oxigen Services India's defined strategy of becoming India's first non banked mobile wallet that empowers the unbanked masses to instantly transfer and receive cash across the entire country are clearly evident in its turnaround into profitability. This has been primarily due to its shift in strategy to a focus on money transfer services without detracting from its airtime sales.

Daily money transfer deposits have increased from USD1.2 million per day in the comparative period to USD2.7 million per day in this reporting period, increasing exponentially through its connectivity with the National Payment Corporation of India.

Blue Label Mexico

In the comparative period, Blue Label Mexico incurred losses of R67 million, inclusive of a subsidy receipt of R32 million from trade partners. The Group's share of losses in the comparative period equated to R31 million after the amortisation of intangible assets. In the current period, Blue Label Mexico's losses increased to an equivalent of R95 million, of which R5 million was attributable to negative foreign exchange movements. The Group's share of losses equated to R45 million of which R2 million pertained to these foreign exchange movements.

In spite of revenue increasing by 20%, the main reasons for further losses were attributable to continued margin compression and an increase in overhead costs. The increase in overheads was necessitated by a continued roll out of point of sale devices as well as ancillary support services.

Although Blue Label Mexico has made significant progress in establishing points of presence, as well as strategic alliances with all Telco networks, VISA, Banamex and various FMCG suppliers, the benefits of these initiatives are only expected to manifest themselves in the future.

Mobile

	Unaudited 30 November 2014 R'000	Unaudited 30 November 2013 R'000	Growth R'000	Growth
Revenue	**95 248**	80 749	14 499	18%
Gross profit	**61 138**	56 436	4 702	8%
EBITDA	**20 241**	18 927	1 314	7%
Core net profit	**11 951**	14 172	(2 221)	(16%)

This segment comprises Cellfind, Panacea Mobile, Blue Label Engage, Blue Label One, Simigenix and the recently acquired Viamedia.

Viamedia, which was acquired with effect from 1 September 2014, together with Blue Label One made positive contributions to growth in revenue, EBITDA and core net profit.

Their contributions to EBITDA growth were R15.6 million and R6 million respectively. Their combined contributions were offset by negative growth in EBITDA of R20 million in the balance of the companies comprising this segment. Margin compression on bulk SMS distribution by Cellfind and Panacea was the main factor causing their negative contributions to growth.

At core net profit level, positive contributions to growth by Viamedia of R8.5 million and Blue Label One by R4.4 million were negated by net negative growth contributions of R15.1 million by the balance of the companies comprising this segment.

Solutions

	Unaudited 30 November 2014 R'000	Unaudited 30 November 2013 R'000	Growth R'000	Growth
Revenue	**75 106**	74 808	298	0%
Gross profit	**30 451**	32 166	(1 715)	(5%)
EBITDA	**18 122**	17 264	858	5%
Core net profit	**7 770**	9 257	(1 487)	(16%)

The Solutions segment houses Blue Label Data Solutions (BLDS), Forensic Intelligence Data Solutions, Datacision, Blue Label Call Centre, Velociti and CNS Call Centres. BLDS contributed R14.5 million to EBITDA and R7 million to core net profit.

Corporate

	Unaudited 30 November 2014 R'000	Unaudited 30 November 2013 R'000	Growth R'000	Growth
EBITDA	**(25 607)**	(43 201)	17 594	41%
Core net loss	**(32 200)**	(50 054)	17 854	36%

The decline in negative EBITDA and core net loss was primarily attributable to a once-off income receipt.

DEPRECIATION, AMORTISATION AND IMPAIRMENT CHARGES

Depreciation, amortisation and impairment charges increased by R12.1 million of which R10 million pertained to the amortisation of intangible assets emanating from the acquisitions of RMCS and Viamedia.

NET FINANCE COSTS

Finance costs

Finance costs totalled R100 million, of which R29 million related to interest paid on borrowed funds and R71 million to imputed IFRS interest adjustments on credit received from suppliers. On a comparative basis, interest paid on borrowed funds was R7 million and the imputed IFRS interest adjustment equated to R74 million. Interest paid on borrowed funds was attributable to the cost of financing bulk inventory purchase transactions and early settlement payments attracting discounts, for which facilities were utilised and repaid during the current period.

Finance income

Finance income totalled R91 million, of which R15 million was attributable to interest received on cash resources and R76 million to imputed IFRS interest adjustments. On a comparative basis, interest received on cash resources amounted to R16 million and the imputed IFRS interest adjustment to R54 million. The decline in interest received was attributable to the utilisation of funds on hand for the payment of dividends, acquisitions, bulk inventory purchase transactions and early settlement discounts.

STATEMENT OF FINANCIAL POSITION

Total assets increased by R384 million to R6.9 billion, of which growth in non-current assets accounted for R332 million and current assets for R53 million.

The increase in non-current assets was mainly attributable to a net growth in intangible assets and goodwill totalling R324 million, to capital expenditure net of depreciation of R13 million and to investment in associates and joint ventures of R21 million.

The increase in intangible assets and goodwill mainly related to the acquisition of Viamedia, of which goodwill equated to R193 million and intangibles R135 million. A further R58 million was incurred for the purchase of software, starter pack bases and a distribution channel. Amortisation of intangibles amounted to R63 million.

The increase in investment in associates and joint ventures was predominantly due to an additional R50 million capital contribution to Blue Label Mexico, movement in loans of R15 million, comprising of interest capitalised of R6 million and unrealised foreign exchange gains of R9 million. These increases were off-set by a share of net losses incurred of R43 million and a negative impact of R1 million in foreign currency translation reserves.

The net increase in current assets mainly comprised an increase in accounts receivable of R312 million and an increase in inventories of R529 million congruent with bulk inventory purchases. Cash resources declined by R796 million in line with the application of cash to fund the increase in assets and payment of dividends.

Although the stock turn increased from 26 days at year end to 35 days in the short term, the discount afforded thereon justified this additional inventory holding.

The debtors collection period, equating to 40 days at year end, increased to 44 days at the interim stage.

The net profit attributable to equity holders of R284 million, less a dividend of R182 million, resulted in retained earnings accumulating to R2.3 billion.

Trade and other payables increased by R220 million with credit terms averaging 59 days.

STATEMENT OF CASH FLOWS

Investment in excess inventory resulted in a negative cash generation of R304 million from operating activities. The nature of inventory is one of a highly liquid commodity.

R287 million was applied to investing activities, of which R50 million related to the additional investment in Blue Label Mexico, R144 million to the acquisition of Viamedia, R59 million to the purchase of intangible assets, R32 million to capital expenditure and R5 million to loans granted.

After applying R19 million to the acquisition of treasury shares and a dividend payment of R185 million to shareholders and non-controlling interests, the balance of cash on hand amounted to R388 million.

FORFEITABLE SHARE SCHEME

Forfeitable shares totalling 3 124 234 (2013: 3 014 847) were issued to qualifying employees. During the period 6 084 (2013: 462 283) shares were forfeited and 3 819 408 (2013: 3 629 922) shares vested.

LITIGATION UPDATE

The arbitration proceedings between APSN and the former subsidiary of Telkom SA SOC Limited (Telkom), Multi-Links Telecommunications Limited (Multi-Links) have been settled.

The litigation action in the High Court of South Africa between Telkom and Multi-Links, on the one hand, and Blue Label, Africa Prepaid Services, APSN and certain individuals, on the other, has been settled.

In terms of the settlement agreement all claims and counterclaims have been withdrawn and all of the parties have agreed that they will have no further claims against one another arising out of the disputes forming the subject of both the arbitration proceedings and the action, including any claims for costs.

PROSPECTS

Oxigen Services India is poised to address the next stage of its growth cycle by increasing its share of domestic and international remittances. It is able to facilitate banking, money transfer transactions and instant payments within the convenient reach of people via secure proprietary technologies. As the considered pioneer in the establishment of a retail payment eco system based on GPRS point-of-sale devices, PCs and mobile phones, OSI is well placed to provide remittance capabilities to 450 000 unbanked villages in India.

TicketPros, a ticketing provider and proud partner of premium sporting events in South Africa, has expanded on its existing service channels of ticketing to concerts, music festivals, hospitality and transport. Proprietary technology facilitates the provision of a myriad of added benefits to ticket purchasers, which afford it a competitive edge in the market place.

Acquiring, which is the ability to process credit and debit card payments for products and services on behalf of merchants, is set to gain momentum as a result of the establishment of successful alliances with various financial institutions. This will enable consumers to transact at store level through the multitude of points of presence that Blue Label has deployed both locally and internationally.

The prevalence of prepaid water meters is following in the footsteps of the prepaid electricity model. Installation of meters by third parties, supported by state-of-the-art software, has enabled Blue Label to enter into the prepaid water arena. Vouchers can now be purchased by consumers at the multitude of points of presence that it has established. Existing relationships with several municipalities will enable it to replicate its prepaid electricity model, given the quality of service that it has provided them with on the prepaid electricity side to date.

Blue Label Mexico will continue to grow its points of presence network in pursuit of its strategy of enhancing its products and service offerings, including transactional revenue. As opposed to being confined to one network, it has taken the initiative of becoming a multi-carrier which should enhance earnings.

POST BALANCE SHEET EVENTS

Subsequent to the period under review, The Prepaid Company concluded an agreement to acquire a starter pack base for an amount of R31 million.

APPRECIATION

The board of Blue Label Telecoms would once again like to express its appreciation to its suppliers, customers, business partners and staff for their ongoing support and loyalty.

For and on behalf of the board

LM Nestadt	**BM Levy and MS Levy**	**DA Suntup* CA(SA)**
Chairman	Joint Chief Executive Officers	Financial Director

17 February 2015

** Supervised the preparation of the Group's interim results.*

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

As at	**30 November 2014 Unaudited R'000**	30 November 2013 Unaudited R'000	31 May 2014 Audited R'000
ASSETS			
Non-current assets	**2 129 839**	1 442 960	1 798 307
Property, plant and equipment	**109 943**	98 212	97 200
Intangible assets and goodwill	**1 329 638**	741 587	1 005 934
Investment in and loans to associates and joint ventures	**619 505**	584 547	598 109
Loans receivable	**15 700**	1 000	18 501
Starter pack assets	**3 068**	2 601	2 307
Trade and other receivables	**31 993**	—	51 604
Deferred taxation assets	**19 992**	15 013	24 652
Current assets	**4 757 180**	4 745 750	4 704 580
Inventories	**1 835 020**	1 522 557	1 306 206
Loans receivable	**33 938**	29 837	27 850
Starter pack assets	**1 364**	1 127	1 010
Trade and other receivables	**2 494 016**	1 890 102	2 181 973
Current tax assets	**4 496**	1 564	3 410
Cash and cash equivalents	**388 346**	1 300 563	1 184 131
Total assets	**6 887 019**	6 188 710	6 502 887
EQUITY AND LIABILITIES			
Capital and reserves	**3 648 620**	3 307 542	3 523 989
Share capital, share premium and treasury shares	**3 943 889**	3 945 833	3 945 832
Restructuring reserve	**(1 843 912)**	(1 843 912)	(1 843 912)
Other reserves	**139 834**	121 245	138 798
Share-based payment reserve	**31 976**	31 865	33 660
Transaction with non-controlling interest reserve	**(957 230)**	(939 314)	(957 230)
Retained earnings	**2 324 960**	2 018 815	2 222 685
Non-controlling interest	**9 103**	(26 990)	(15 844)
Non-current liabilities	**113 746**	19 912	92 400
Deferred taxation liabilities	**83 912**	19 912	41 510
Trade and other payables	**29 649**	—	50 178
Provisions	**185**	—	712
Current liabilities	**3 124 653**	2 861 256	2 886 498
Trade and other payables	**3 059 540**	2 824 554	2 818 898
Provisions	**25 362**	16 181	23 777
Current tax liabilities	**13 944**	5 662	28 733
Current portion of interest-bearing borrowings	**2 805**	2 842	2 653
Current portion of non-interest-bearing borrowings	**23 002**	12 017	12 437
Total equity and liabilities	**6 887 019**	6 188 710	6 502 887

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 November 2014 Unaudited R'000	Six months ended 30 November 2013 Unaudited R'000	Year ended 31 May 2014 Audited R'000
Revenue	**10 327 392**	9 079 022	19 401 666
Other income	**36 821**	5 398	26 692
Change in inventories of finished goods	**(9 539 608)**	(8 368 957)	(18 052 132)
Employee compensation and benefit expense	**(187 677)**	(163 178)	(332 542)
Depreciation, amortisation and impairment charges	**(46 479)**	(34 357)	(65 137)
Other expenses	**(120 965)**	(120 821)	(255 691)
Operating profit	**469 484**	397 107	722 856
Finance costs	**(99 666)**	(80 683)	(166 876)
Finance income	**90 732**	70 088	156 250
Share of loss from associates and joint ventures	**(42 629)**	(29 779)	(56 873)
Profit for the period before taxation	**417 921**	356 733	655 357
Taxation	**(133 457)**	(113 404)	(206 442)
Net profit for the period	**284 464**	243 329	448 915
Other comprehensive income:			
Exchange profits on translation of foreign operations	**1 317**	8 105	25 637
Other comprehensive income for the period, net of tax	**1 317**	8 105	25 637
Total comprehensive income for the period	**285 781**	251 434	474 552
Net profit for the period attributable to:	**284 464**	243 329	448 915
Equity holders of the parent	**284 392**	246 360	450 230
Non-controlling interest	**72**	(3 031)	(1 315)
Total comprehensive income for the period attributable to:	**285 781**	251 434	474 552
Equity holders of the parent	**285 428**	254 466	475 889
Non-controlling interest	**353**	(3 032)	(1 337)
Earnings per share for profit attributable to equity holders (cents)			
Basic earnings per share	**42.79**	37.17	67.88
Diluted earnings per share**	**41.87**	36.66	66.86
Headline earnings per share	**42.73**	37.15	67.98
Diluted headline earnings per share**	**41.82**	36.63	66.96
Dividend per share	**27.00**	25.00	25.00
Weighted average number of shares	**664 598 720**	662 703 861	663 298 476
Diluted weighted average number of shares	**670 493 760**	672 014 932	672 311 571
Number of shares in issue	**674 509 042**	674 509 042	674 509 042
Reconciliation between net profit and core net profit for the period:			
Net profit for the period attributable to equity holders of the parent	**284 392**	246 360	450 230
Amortisation on intangible assets raised through business combinations net of tax and net of non-controlling interest	**11 131**	4 718	10 372
Core net profit for the period	**295 523**	251 078	460 602
– Core earnings per share (cents)*	**44.47**	37.89	69.44

* *Core earnings per share is calculated after adding back the amortisation of intangible assets as a consequence of the purchase price allocations completed in terms of IFRS 3(R): Business Combinations.*

** *Diluted earnings per share and diluted headline earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding for the number of shares that would be issued on vesting under the employee forfeitable share plan.*

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

Six months ended	Share capital, share premium and treasury shares Unaudited R'000	Retained earnings Unaudited R'000
Balance as at 1 June 2013	3 939 891	1 941 082
Net profit for the period	—	246 360
Other comprehensive income	—	—
Total comprehensive income/(loss)	—	246 360
Dividends paid	—	(168 627)
Treasury shares purchased	(11 120)	—
Equity compensation benefit scheme shares vested	17 062	—
Equity-based compensation movements	—	—
Transaction with non-controlling interest reserve movement	—	—
Non-controlling interests acquired during the period	—	—
Balance as at 30 November 2013	3 945 833	2 018 815
Balance as at 1 June 2014	**3 945 832**	**2 222 685**
Net profit for the period	**—**	**284 392**
Other comprehensive income	**—**	**—**
Total comprehensive income	**—**	**284 392**
Dividends paid	**—**	**(182 117)**
Treasury shares purchased	**(19 130)**	**—**
Equity compensation benefit scheme shares vested	**17 187**	**—**
Equity-based compensation movements	**—**	**—**
Non-controlling interests acquired during the period	**—**	**—**
Balance as at 30 November 2014	**3 943 889**	**2 324 960**

Year ended	Audited R'000	Audited R'000
Balance as at 1 June 2013	3 939 891	1 941 082
Net profit for the year	—	450 230
Other comprehensive profit	—	—
Total comprehensive income	—	450 230
Dividends paid	—	(168 627)
Treasury shares purchased	(11 120)	—
Equity compensation benefit scheme shares vested	17 061	—
Equity-based compensation movements	—	—
Share of equity movement in associates	—	—
Transaction with non-controlling interest reserve movement	—	—
Non-controlling interest movement	—	—
Balance as at 31 May 2014	3 945 832	2 222 685

* *Included in other reserves is the foreign currency translation reserve and the non-distributable reserve.*
** *Includes employee compensation benefit reserve.*

Restructuring reserve Unaudited R'000	Other reserves* Unaudited R'000	Transaction with non-controlling interest reserve Unaudited R'000	Share-based payment reserve** Unaudited R'000	Non-controlling interest Unaudited R'000	Total equity Unaudited R'000
(1 843 912)	113 139	(931 125)	39 496	(15 718)	3 242 853
—	—	—	—	(3 031)	243 329
—	8 106	—	—	(1)	8 105
—	8 106	—	—	(3 032)	251 434
—	—	—	—	—	(168 627)
—	—	—	—	—	(11 120)
—	—	—	(16 715)	(347)	—
—	—	—	9 084	108	9 192
—	—	(8 189)	—	—	(8 189)
—	—	—	—	(8 001)	(8 001)
(1 843 912)	121 245	(939 314)	31 865	(26 990)	3 307 542
(1 843 912)	**138 798**	**(957 230)**	**33 660**	**(15 844)**	**3 523 989**
—	**—**	**—**	**—**	**72**	**284 464**
—	**1 036**	**—**	**—**	**281**	**1 317**
—	**1 036**	**—**	**—**	**353**	**285 781**
—	**—**	**—**	**—**	**(2 850)**	**(184 967)**
—	**—**	**—**	**—**	**—**	**(19 130)**
—	**—**	**—**	**(16 947)**	**(240)**	**—**
—	**—**	**—**	**15 263**	**273**	**15 536**
—	**—**	**—**	**—**	**27 411**	**27 411**
(1 843 912)	**139 834**	**(957 230)**	**31 976**	**9 103**	**3 648 620**
Audited R'000	Audited R'000	Audited R'000	Audited R'000	Audited R'000	Audited R'000
(1 843 912)	113 139	(931 125)	39 496	(15 718)	3 242 853
—	—	—	—	(1 315)	448 915
—	25 659	—	—	(22)	25 637
—	25 659	—	—	(1 337)	474 552
—	—	—	—	(1 805)	(170 432)
—	—	—	—	—	(11 120)
—	—	—	(16 792)	(269)	—
—	—	—	10 792	277	11 069
—	—	—	164	—	164
—	—	(26 105)	—	3 760	(22 345)
—	—	—	—	(752)	(752)
(1 843 912)	138 798	(957 230)	33 660	(15 844)	3 523 989

CONDENSED GROUP STATEMENT OF CASH FLOWS

	Six months ended 30 November 2014 Unaudited R'000	Six months ended 30 November 2013 Unaudited R'000	Year ended 31 May 2014 Audited R'000
Cash flows from operating activities	**(304 387)**	742 291	907 332
Cash flows from investing activities	**(286 892)**	(203 956)	(467 220)
Cash flows from financing activities	**(204 547)**	(178 989)	(196 892)
(Decrease)/increase in cash and cash equivalents	**(795 826)**	359 346	243 220
Cash and cash equivalents at the beginning of the period	**1 184 131**	941 282	941 282
Translation difference	**41**	(65)	(371)
Cash and cash equivalents at the end of the period	**388 346**	1 300 563	1 184 131

HEADLINE EARNINGS

	Six months ended 30 November 2014 Unaudited R'000	Six months ended 30 November 2013 Unaudited R'000	Year ended 31 May 2014 Audited R'000
Profit attributable to equity holders of the parent	**284 392**	246 360	450 230
Net profit on disposal of property, plant and equipment	**(383)**	(185)	(207)
Impairment of intangible assets and property, plant and equipment	**—**	—	866
Headline earnings	**284 009**	246 175	450 889
Headline earnings per share (cents)	**42.73**	37.15	67.98

ACQUISITION OF SUBSIDIARY

Shares in the following subsidiary were acquired during the period:	Effective date of acquisition	% acquired
Subsidiary		
Viamedia Proprietary Limited	1 September 2014	75

Details of the provisional total net assets acquired and the resulting goodwill as at the date of acquisition are as follows:		Total R'000
Total purchase consideration		253 374
Fair value of net assets acquired		60 204
Goodwill		193 170

The assets and liabilities acquired through acquisition are as follows:	Fair value at acquisition date R'000	Acquirer's carrying amount on acquisition date R'000
Cash and cash equivalents	(21 420)	(21 420)
Property, plant and equipment	1 577	1 577
Intangible assets*	134 814	17
Goodwill	193 170	—
Loans receivable	13 026	13 026
Inventories	619	619
Receivables	29 970	29 970
Deferred tax*	(37 604)	139
Borrowings	(11 014)	(11 014)
Current tax liability	(10 274)	(10 274)
Payables	(12 080)	(12 080)
	280 784	(9 440)
Total purchase consideration		253 374
Contingent consideration		(131 027)
Cash and cash equivalents in subsidiary acquired		21 420
Cash outflow on acquisition		143 767

* *Included in intangibles is R9.5 million of customer relationships and R125 million of customer listing which relate to the provisional purchase price allocations performed for Viamedia in terms of IFRS 3(R): Business Combinations. Deferred tax to the value of R37.7 million was raised on recognition of these intangible assets.*

Viamedia was purchased with the objective of affording the Group access to new channels for the distribution of both Viamedia and Group products and services.

In most business acquisitions, there is a part of the cost that is not capable of being attributed in accounting terms to identifiable assets and liabilities acquired and is therefore recognised as goodwill. In the case of the acquisition of Viamedia, this goodwill is underpinned by a number of elements, which individually cannot be quantified. Most significant among these is the opportunity that the distribution network affords the Group.

The contingent consideration arrangement requires BLT to pay in cash the former owners of Viamedia an additional four amounts of R24.1 million, R24.1 million, R55 million and R112.5 million if certain profit warranties are achieved.

The potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between R0 and R215.6 million.

The fair value of the contingent consideration arrangement of R131 million was estimated by applying the income approach. The fair value estimates are based on a discount rate of 9%. For the first, second and third profit targets management has assumed a probability of 100%.

For the fourth profit target management has assumed a probability of 50%. This differs to the probability of 0% disclosed in the post-balance sheet acquisition of subsidiary note in the consolidated annual financial statements as at 31 May 2014.

SEGMENTAL SUMMARY

Six months ended 30 November 2014	Total Unaudited R'000	South African distribution Unaudited R'000
Total segment revenue	**13 294 271**	**12 999 702**
Inter-segment revenue	**(2 966 879)**	**(2 842 664)**
External revenue	**10 327 392**	**10 157 038**
EBITDA	**515 963**	**507 718**
Net profit/(loss) for the period net of non-controlling interests	**284 392**	**341 029**
Amortisation on intangibles raised through business combinations net tax and non-controlling interest	**11 131**	**6 639**
Core net profit/(loss) for the period	**295 523**	**347 668**
At 30 November 2014		
Total assets	**6 887 019**	**5 633 582**
Net operating assets/(liabilities)	**1 632 527**	**1 838 537**
Six months ended 30 November 2013		
Total segment revenue	12 003 041	11 739 894
Inter-segment revenue	(2 924 019)	(2 816 429)
External revenue	9 079 022	8 923 465
EBITDA	431 464	448 264
Net profit/(loss) for the period net of non-controlling interests	246 360	305 541
Amortisation on intangibles raised through business combinations net of tax and non-controlling interest	4 718	2 294
Core net profit/(loss) for the period	251 078	307 835
At 30 November 2013		
Total assets	6 188 710	5 333 125
Net operating assets/(liabilities)	1 884 494	1 896 364

Year ended 31 May 2014	Audited R'000	Audited R'000
Total segment revenue	25 354 475	24 837 763
Inter-segment revenue	(5 952 809)	(5 734 111)
External revenue	19 401 666	19 103 652
EBITDA	787 993	821 310
Net profit/(loss) for the year net of non-controlling interests	450 230	552 926
Amortisation on intangibles raised through business combinations net of tax and non-controlling interest	10 372	6 070
Core net profit/(loss) for the year	460 602	558 996
At 31 May 2014		
Total assets	6 502 887	5 651 680
Net operating assets/(liabilities)	1 818 082	1 871 469

International distribution Unaudited R'000	Mobile Unaudited R'000	Solutions Unaudited R'000	Corporate Unaudited R'000
—	**208 304**	**86 265**	**—**
—	**(113 056)**	**(11 159)**	**—**
—	**95 248**	**75 106**	**—**
(4 511)	**20 241**	**18 122**	**(25 607)**
(41 534)	**9 327**	**7 770**	**(32 200)**
1 868	**2 624**	**—**	**—**
(39 666)	**11 951**	**7 770**	**(32 200)**
581 852	**474 967**	**135 126**	**61 492**
(10 648)	**(43 137)**	**26 528**	**(178 753)**
—	177 941	85 206	—
—	(97 192)	(10 398)	—
—	80 749	74 808	—
(9 790)	18 927	17 264	(43 201)
(32 062)	13 678	9 257	(50 054)
1 930	494	—	—
(30 132)	14 172	9 257	(50 054)
541 500	106 838	149 901	57 346
(14 870)	11 022	35 178	(43 200)
Audited R'000	**Audited R'000**	**Audited R'000**	**Audited R'000**
—	350 783	165 929	—
—	(198 165)	(20 533)	—
—	152 618	145 396	—
(13 961)	34 273	29 257	(82 886)
(51 176)	23 916	12 547	(87 983)
3 314	988	—	—
(47 862)	24 904	12 547	(87 983)
556 376	96 420	136 090	62 321
(16 065)	(20 543)	23 840	(40 619)

Directors: LM Nestadt (Chairman)*, BM Levy, MS Levy, K Ellerine*, GD Harlow*, NN Lazarus SC*^, JS Mthimunye*, MV Pamensky, DA Suntup, J Vilakazi*

(*Non-executive) (^Resigned effective 27 January 2015)

Company Secretary: J van Eden

Sponsor: Investec Bank Limited

Auditors: PricewaterhouseCoopers Inc.

American Depository Receipt (ADR) Programme:
Cusip No.: 095648101 Ticker name: BULBY ADR to ordinary share: 1:10

Depository: The Bank of New York, 101 Barclay Street, New York, NY, 10286, USA

Blue Label Telecoms Limited
(Incorporated in the Republic of South Africa) (Registration number 2006/022679/06)

JSE Share code: BLU ISIN:ZAE000109088
("Blue Label" or "BLT" or "the Company" or "the Group")

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