

BLU
BLU

BLU - Blue Label Telecoms - Reviewed Interim Results For The Half Year
Ended 30 November 2007

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')

Reviewed interim results for the half year ended 30 November 2007

- 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	30 November 2006 Restated
Reviewed	Unaudited	
	R`000	R`000
Assets		
Non-current assets	455 504	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
Current assets	2 676 510	1 714 175
Financial assets at fair value through profit and loss	16 399	12 862
Inventories	229 847	225 286
Loans receivable	10 034	81 698
Intangible assets	112 953	51 073
Trade and other receivables	578 934	348 940
Cash and cash equivalents	1 728 343	994 316
Total assets	3 132 014	1 914 045
Equity and liabilities		
Capital and reserves	1 763 022	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
	1 744 099	270 559
Minorities interest	18 923	112 417
Non-current liabilities	68 447	247 557
Deferred taxation	54 087	17 034
Interest bearing borrowings	14 360	230 523
Current liabilities	1 300 545	1 283 512
Trade and other payables	1 253 271	973 194
Non-interest bearing borrowings	16 525	30 308
Current tax liabilities	26 436	41 004
Current portion of interest bearing borrowings	4 313	239 006
Total equity and liabilities	3 132 014	1 914 045

Condensed Group Income Statement

	Six months ended			
30 November	30 November	30 November	30 November	30 November
		2007	2007	2006
		Pro forma	Actual	Restated
		Unaudited	Reviewed	Unaudited
R`000	R`000	R`000		
Revenue		6 174 559	5 797 260	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)
Operating profit		107 607	91 499	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)	(4 353)	962
Profit for the period before taxation	153 515	67 271	105 458
Taxation	(53 261)	(26 568)	(30 818)
Net profit for the period	100 254	40 703	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	-
Core net profit for the period	182 854	113 390	79 810
Net profit for the period attributable to:	100 254	40 703	74 640
Equity holders of parent	99 072	14 379	46 730
Minority interest	1 182	26 324	27 910
Core net profit for the period attributable to:	182 854	113 390	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	Retained earnings/ (accumulated reserve)	Restructuring
	R`000	R`000	R`000
Balance as at 1 June 2006	2 079 533	-	(1 998 328)
Net profit for the period	-	46 730	-
Transactions with minorities	-	(14 893)	151 511
Associates acquired during the period	-	-	3 417
Exchange gains on translation of foreign operations	-	-	-
Balance as at 30 November 2006	2 079 533	31 837	(1 843 400)
Balance as at 1 June 2007	2 079 533	50 792	(1 843 913)
Shares issued during the period	2 364 929	-	-
Net profit for the period	-	14 379	-
Listing costs	(39 846)	-	-
Dividends declared	-	(999)	-
Transactions with minorities	-	(884 402)	-
Exchange losses on translation of foreign operations	-	-	-
Balance as at 30 November 2007	4 404 616	(820 230)	(1 843 913)
	Foreign currency translation reserve	Minorities	Total
	R`000	R`000	R`000
Balance as at 1 June 2006	-	-	81 205
Net profit for the period	-	27 910	74 640
Minorities acquired during the period	-	84 507	221 125
Associates acquired during the period	-	-	3 417
Exchange gains on translation of			

foreign operations	2 589	-	2 589
Balance as at 30 November 2006	2 589	112 417	382 976
Balance as at 1 June 2007	4 187	129 440	420 039
Shares issued during the period	-	-	2 364 929
Net profit for the period	-	26 324	40 703
Listing costs	-	-	(39 846)
Dividends declared	-	-	(999)
Minorities disposed of during the period	-	(136 748)	(1 021 150)
Exchange losses on translation of foreign operations	(561)	(93)	(654)
Balance as at 30 November 2007	3 626	18 923	1 763 022

Segmental Summary			
Revenue		30 November	30 November
		2007	2006
		Actual	Restated

Reviewed	Unaudited		
		R`000	R`000
Telecommunication Distribution		5 623 868	4 088 292
International Telecommunication Distribution		103 364	10 066
Technology Platforms		14 542	190
Related Services		55 486	5 691
Corporate		-	-
Total		5 797 260	4 104 239

Operating profit/(loss)		30 November	30 November
		2007	2006
		Actual	Restated

Reviewed	Unaudited		
		R`000	R`000
Telecommunication Distribution		103 027	122 688
International Telecommunication Distribution		6 822	3 495
Technology Platforms		(5 883)	(1 388)
Related Services		10 997	(340)
Corporate		(23 464)	(7 750)
Total		91 499	116 705

EBITDA		30 November	30 November
		2007	2006
		Actual	Restated

Reviewed	Unaudited		
		R`000	R`000
Telecommunication Distribution		115 376	134 400
International Telecommunication Distribution		8 752	4 203
Technology Platforms		(3 961)	(141)
Related Services		13 301	(337)
Corporate		(23 041)	(7 376)
Total		110 427	130 749

Net operating assets/(liabilities)		30 November	30 November
		2007	2006
		Actual	Restated

Reviewed	Unaudited		
		R`000	R`000
Telecommunication Distribution		1 397 335	438 624
International Telecommunication Distribution		3 947	(4 972)
Technology Platforms		2 514	(132)
Related Services		3 326	(453)
Corporate		(31 157)	(2 404)
Total		1 375 965	430 663

Condensed Group Cash Flow Statement			Six months ended
		30 November	30 November
		2007	2006
		Actual	Restated

Reviewed	Unaudited		
		R`000	R`000
Cash flows from operating activities		141 867	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		66 534	36 404

Interest paid	(43 858)	(23 356)
Taxation paid	(34 099)	(23 990)
Cash flows from investing activities	(186 451)	(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	120	135
Net purchase of fixed assets	(6 856)	(11 355)
Cash flows from financing activities	677 672	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)	-
Increase in cash and cash equivalents	633 088	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
Cash and cash equivalents at the end of the period	1 728 343	994 316

Commentary

INTRODUCTION

The directors of Blue Label Telecoms Limited (BLT) are proud to present the maiden reviewed interim results for the six months ended 30 November 2007. The results have exceeded expectations resulting in excellent growth and are above the financial forecasts for the period under review.

On 14 November 2007, two weeks before the half year end, BLT successfully debuted in the telecommunications sector on the Main Board of the JSE Limited, which took place subsequent to its corporate restructure.

NATURE OF BUSINESS

BLT is a leading distributor of prepaid secure electronic tokens of value and transactional services within emerging markets and has in excess of 150 000 global mobile and physical points of presence covering South Africa, India, Mozambique and the Democratic Republic of Congo.

BASIS OF PREPARATION

The condensed interim financial statements have been prepared in accordance with International Accounting Standards (IAS) 34 Interim Financial Reporting. The accounting policies and methods of computation are consistent with those used in the comparative financial information for the six months ended 30 November 2006, (which were prepared in accordance with International Financial Reporting Standards (IFRS) and the South African Companies Act).

As a result of the Group's restructuring, its comparatives have been restated using predecessor accounting principles, a complex accounting treatment. The accounting principles applied result in extensive restatement of comparatives. Shareholders are therefore advised to exercise caution and should read the interim results as reported, in conjunction with BLT's pre -listing statement, when attempting to make year on year comparisons.

FINANCIAL REVIEW

Overview

The Group's reported results for the six month period ended 30 November 2007 show actual Group revenue of R5.8 billion, EBITDA of R110.4 million, profit from core operations of R85 million and a net profit of R40.7 million (R14.4 million of which is attributable to equity holders).

The Group incurred once off expenses, net of tax, of R65.8 million relating to the management bonus settlement and the termination of a commission agreement, as expounded upon in the pre-listing statement. In addition, amortisation of intangible assets of R6.9 million arose as a consequence of the purchase price allocations calculated in terms of IFRS 3: Business Combinations.

The BLT Board believe that core earnings is a more appropriate measure of Group operating performance since it adjusts for non-recurring and non-operational items. Headline earnings per share for the half year were 3.79 cents and core headline earnings per share were 20.55 cents.

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 R80 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	BM Levy and MS Levy	DB Rivkind
Chairman	Joint Chief Executive Officers	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 Tyalimpi*
(*Non-Executive)

Company Secretary: E Viljoen

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(Incorporated in the Republic of South Africa)

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('BLT' or 'the Company')

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