

AUDITED RESULTS FOR THE YEAR ENDED 31 MAY 2012



BLUE LABEL TELECOMS

↑ 4%

increase in revenue to R18.7 billion

↑ 13%

increase in gross profit to R1,2 billion

↑ 26%

increase in EBITDA to R750 million*

↑ 40%

increase in headline earnings per share to 64.65 cents*

R458 million*

headline earnings

R528 million

cash flows from operating activities

R392 million

12% share buy-back

↑ 64%

increase in dividend to 23 cents per share

*Includes a once off income receipt of R79.4 million.

SUMMARISED GROUP STATEMENT OF FINANCIAL POSITION

as at 31 May	2012 R'000	2011 R'000
ASSETS		
Non-current assets	993 076	851 665
Property, plant and equipment	112 188	139 747
Intangible assets and goodwill	505 698	433 513
Investment in associates and joint ventures	357 471	239 997
Loans receivable	1 435	—
Starter pack assets	4 501	20 361
Deferred taxation	11 783	18 047
Current assets	3 942 456	4 216 942
Financial assets at fair value through profit and loss	—	10
Starter pack assets	3 191	16 777
Inventories	539 221	1 012 594
Loans receivable	30 049	32 370
Trade and other receivables	1 387 650	914 164
Current tax assets	7 103	14 230
Cash and cash equivalents	1 975 242	2 226 697
Assets of disposal group classified as held-for-sale	—	20 481
Total assets	4 935 532	5 089 088
EQUITY AND LIABILITIES		
Capital and reserves	2 914 386	2 955 363
Share capital, share premium and treasury shares	3 941 316	4 348 231
Restructuring reserve	(1 843 912)	(1 843 912)
Other reserves	25 539	(13 601)
Transaction with non-controlling interest reserve	(909 572)	(909 006)
Share-based payment reserve	38 915	19 099
Retained earnings	1 671 378	1 340 318
Non-current liabilities	2 923 664	2 941 129
Deferred taxation	(9 278)	14 234
Non-current liabilities	50 624	38 093
Deferred taxation	21 598	22 196
Interest-bearing borrowings	—	15 897
Trade and other payables	29 026	—
Current liabilities	1 970 522	2 081 760
Trade and other payables	1 931 204	2 046 773
Provision	6 260	8 676
Current tax liabilities	21 041	22 236
Bank overdraft	—	527
Non-interest-bearing borrowings	12 017	—
Current portion of interest-bearing borrowings	—	3 458
Liabilities of disposal group classified as held-for-sale	—	13 872
Total equity and liabilities	4 935 532	5 089 088

SUMMARISED GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 May	2012 R'000	2011 R'000
Continuing operations		
Revenue	18 715 390	18 064 572
Other income	97 412	7 197
Change in inventories of finished goods	(17 507 468)	(16 996 939)
Employee compensation and benefit expense	(327 830)	(263 360)
Depreciation, amortisation and impairment charges	(91 557)	(145 985)
Other expenses	(227 022)	(213 738)
Operating profit	658 925	451 747
Finance expense	(181 081)	(115 845)
Finance income	170 995	146 429
Share of losses from associates and joint ventures	(19 835)	(2 757)
Net profit before taxation	629 004	479 574
Taxation	(194 075)	(152 176)
Net profit from continuing operations	434 929	327 398
Discontinued operations		
Net (loss)/profit for the year from discontinued operations	(15 455)	57 573
Net profit for the year	419 474	384 971
Other comprehensive income:		
Exchange profit/(loss) on translation of equity loans	5 395	(4 926)
Exchange profit/(loss) on translation of foreign operations	36 058	(6 550)
Foreign currency translation reserve recycled to profit or loss	—	4 219
Other comprehensive profit/(loss) for the year, net of tax	41 453	(7 257)
Total comprehensive income for the year	460 927	377 714
Net profit for the year attributable to:		
Equity holders of the parent	438 104	431 448
– From continuing operations	443 597	337 547
– From discontinued operations	(5 493)	93 901
Non-controlling interest	(18 630)	(46 477)
– From continuing operations	(6 668)	(10 149)
– From discontinued operations	(9 962)	(36 328)
Total comprehensive income for the year attributable to:	460 927	377 714
Equity holders of the parent	477 244	430 538
Non-controlling interest	(16 317)	(52 824)
Earnings per share for profit attributable to equity holders (cents)		
Basic earnings per share	61.87	57.04
– From continuing operations	62.65	44.63
– From discontinued operations	(0.78)	12.41
Diluted earnings per share	60.97	56.49
– From continuing operations	61.74	44.08
– From discontinued operations	(0.78)	12.41
Headline earnings per share	64.65	46.20
– From continuing operations	65.43	50.12
– From discontinued operations	(0.78)	(3.92)
Diluted headline earnings per share	63.70	45.75
Number of shares in issue	674 509 402	756 360 894
Number of shares excluding treasury and forfeitable share scheme shares	661 501 917	756 269 004
Weighted average number of shares	708 059 527	756 359 399
Diluted weighted average number of shares*	718 577 060	763 742 466
*Diluted earnings per share and diluted headline earnings per share is calculated by adjusting the number of shares in issue by the number of shares that would be issued on vesting under the forfeitable share plan.		
Reconciliation between net profit and core net profit for the year:		
Net profit for the year attributable to equity holders of the parent	438 104	431 448
Amortisation on intangible assets raised through business combinations net of tax and non-controlling interest	17 693	24 975
Core net profit attributable to equity holders of the parent	455 797	456 423
– Core earnings per share (cents)**	64.37	60.34
**Core earnings per share is calculated after adding back the amortisation on intangible assets as a consequence of the purchase price allocations completed in terms of IFRS 3(R) Business Combinations.		

SUMMARISED GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 May	Share capital, share premium and treasury shares R'000	Retained earnings R'000	Restructuring reserve R'000	Other reserves R'000	Transaction with non-controlling interest reserve R'000	Share-based payment reserve R'000	Non-controlling interest R'000	Total equity R'000
Balance as at 31 May 2010	4 352 617	1 000 327	(1 843 912)	(12 691)	(914 867)	12 037	61 925	2 655 436
Net profit/(loss) for the year	—	431 448	—	(910)	—	—	(46 477)	384 971
Comprehensive loss	—	—	—	—	—	—	(6 347)	(7 257)
Total comprehensive income/(loss)	—	431 448	—	(910)	—	—	(52 824)	377 714
Treasury shares purchased	(8 935)	—	—	—	—	—	—	(8 935)
Equity compensation benefit scheme shares vested	4 549	—	—	—	—	(4 549)	—	—
Equity compensation benefit movement	—	—	—	—	—	942	229	1 171
Share of equity movements in associates	—	—	—	—	—	—	942	942
Dividends	—	(91 457)	—	—	—	—	—	(91 457)
Share based payment movement	—	—	—	—	—	(234)	—	(234)
Non-controlling interest disposed of during the year	—	—	—	—	5 861	—	—	5 861
Balance as at 31 May 2011	4 348 231	1 340 318	(1 843 912)	(13 601)	(909 006)	19 099	14 234	2 955 363
Net profit/(loss) for the year	—	438 104	—	—	—	—	(18 530)	419 474
Comprehensive profit	—	—	—	39 140	—	—	2 313	41 453
Total comprehensive income/(loss)	—	438 104	—	39 140	—	—	(16 317)	460 927
Treasury shares purchased	(16 095)	—	—	—	—	—	—	(16 095)
Shares acquired	(392 378)	1 558	—	—	—	—	—	(392 378)
Equity compensation benefit scheme shares vested	—	—	—	—	—	(1 517)	(41)	—
Equity compensation benefit movement	—	—	—	—	—	—	21 929	22 126
Share of equity movements in associates	—	—	—	—	—	—	(596)	(596)
Dividends	—	(107 044)	—	—	—	—	—	(107 044)
Transaction with non-controlling interest reserve movement	—	—	—	—	(566)	—	—	(566)
Non-controlling interest disposed of during the year	—	—	—	—	—	—	(4 406)	(4 406)
Balance as at 31 May 2012	3 941 316	1 671 378	(1 843 912)	25 539	(909 572)	38 915	(9 278)	2 914 386

SEGMENTAL SUMMARY

for the year ended 31 May	Total R'000	South Africa R'000	International R'000	Technology R'000	Mobile R'000	Solutions R'000	Corporate R'000
2012							
Total segment revenue	30 173 943	29 855 365	17 429	28 405	96 084	176 660	—
Inter-segment revenue	(11 458 553)	(11 432 351)	—	(11 731)	(8 840)	(5 631)	—
Revenue	18 715 390	18 423 014	17 429	16 674	87 244	171 029	—
EBITDA	750 482	801 746	(15 901)	(64 258)	97 359	38 927	(107 391)
Net profit/(loss) for the year attributable to equity holders of the parent	438 104	587 179	(30 277)	(83 144)	69 270	21 259	(126 183)
– From continuing operations	443 597	587 179	(24 784)	(83 144)	69 270	21 259	(126 183)
– From discontinued operations	(5 493)	—	(5 493)	—	—	—	—
Amortisation on intangibles raised through business combinations net of tax and non-controlling interest – continuing operations	17 693	8 716	3 841	379	4 692	65	—
Core net profit/(loss) for the year attributable to equity holders of the parent	455 797	595 895	(26 436)	(82 765)	73 962	21 324	(126 183)
– From continuing operations	461 290	595 895	(20 943)	(82 765)	73 962	21 324	(126 183)
– From discontinued operations	(5 493)	—	(5 493)	—	—	—	—
At 31 May 2012							
Total assets	4 935 532	4 279 757	337 494	84 304	62 278	137 997	33 702
Net operating assets/(liabilities)	1 971 934	2 032 934	(10 126)	(3 703)	5 247	7 385	(59 804)
2011							
Total segment revenue	30 224 202	29 954 525	30 252	22 902	84 131	122 402	—
Inter-segment revenue	(12 153 630)	(12 153 630)	(6 082)	(6 082)	(15 505)	(4 125)	—
Revenue	18 064 572	17 821 605	29 254	16 820	78 616	118 277	—
EBITDA	597 732	711 767	(8 683)	(61 766)	19 347	18 731	(81 664)
Net profit/(loss) for the year attributable to equity holders of the parent	431 448	562 538	60 133	(85 312)	(12 627)	5 033	(98 317)
– From continuing operations	337 547	562 538	(33 768)	(85 312)	(12 627)	5 033	(98 317)
– From discontinued operations	93 901	—	93 901	—	—	—	—
Amortisation on intangibles raised through business combinations net of tax and non-controlling interest – continuing operations	24 975	8 933	1 763	380	11 871	2 028	—
Core net profit/(loss) for the year attributable to equity holders of the parent	456 423	571 471	61 896	(84 932)	(756)	7 061	(98 317)
– From continuing operations	362 522	571 471	(32 005)	(84 932)	(756)	7 061	(98 317)
– From discontinued operations	93 901	—	93 901	—	—	—	—
At 31 May 2011							
Total assets	5 089 607	4 362 116	395 561	89 876	80 899	138 403	10 752
Net operating assets/(liabilities)	2 135 182	2 004 900	285 291	12 555	10 901	21 674	(40 119)

DISPOSAL OF SUBSIDIARY

Shares in the following subsidiary were disposed of during the year ended 31 May 2012

Share/Phone International Proprietary Limited	Effective date of disposal	% held and disposed of
	31-Jan-12	50.1

Details of the total net assets disposed and the resulting loss on disposal is as follows:

	Total R'000
Total proceeds	3 907
Fair value of net assets disposed of	(3 869)
Loss on disposal	(3 014)

	Carrying value/ fair value at disposal date R'000
Cash and cash equivalents	1 406
Property, plant and equipment	2 078
Intangible assets	25
Inventories	9 422
Receivables	3 978
Deferred tax asset	476
Current tax assets	69
Borrowings	(5 958)
Payables	(868)
Fair value of subsidiary disposed of	8 828
Non-controlling interest	(4 406)
Goodwill	2 499
Fair value of net assets disposed of	6 921
Cash and cash equivalents of subsidiary disposed of	1 406
Cash inflow on disposal	2 501

ACQUISITION OF SUBSIDIARY

Shares in the following subsidiary were acquired during the year ended 31 May 2012

Multiserv Proprietary Limited	Effective date of acquisition	% acquired
	1-Jan-12	100

Details of the total net assets acquired and the resulting goodwill and reserves at acquisition are as follows:

	Total R'
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INTERNATIONAL DISTRIBUTION

	2012	2011	Growth	Growth
	R'000	R'000	R'000	
Revenue	17 429	29 254	(11 825)	(40%)
Gross profit	2 574	8 052	(5 478)	(68%)
EBITDA	(15 901)	(8 683)	(7 218)	(83%)
Discontinued operations*	(5 493)	93 901	(99 394)	(106%)
Africa Prepaid Services Nigeria	(5 493)	(40 813)	35 320	87%
Blue Label Mexico	(24 973)	134 714	(134 714)	(100%)
Share of losses from associates and joint ventures	(19 182)	(2 884)	(16 298)	(565%)
Ukash	2 228	8 782	(6 554)	(75%)
Oxigen Services India	4 616	(5 163)	9 779	189%
Blue Label Mexico	(24 973)	(6 503)	(18 370)	(282%)
Other	(1 153)	—	(1 153)	—
Core net loss from continuing operations	(36 563)	(41 609)	5 046	12%
– Equity holders of the parent	(20 943)	(32 005)	11 062	35%
– Non-controlling interests	(15 620)	(9 604)	(6 016)	(63%)
Core net (loss)/profit from discontinued operations	(15 454)	57 573	(73 027)	(127%)
– Equity holders of the parent	(5 493)	93 901	(99 394)	(106%)
– Non-controlling interests	(9 962)	(36 328)	26 366	73%

*Represents net (loss)/profit after taxation and non-controlling interests.

The decrease in revenue in the international segment was due to the disposal of SharePhone International ("SPI"). The decline in EBITDA was due to this disposal of SPI as well as an increase in legal fees expended on the ongoing litigation relating to Africa Prepaid Services Nigeria. Forex gains of R7,6 million, limited this decline to R7,2 million.

The Group's objective in the international segment is to partner with local management in the countries in which it operates. These partnerships result in its international operations being equity accounted for. The group's current active international operations, namely, Ukash, Oxigen Services India and Blue Label Mexico are disclosed accordingly under share of losses from associates and joint ventures.

Discontinued operations

Africa Prepaid Services Nigeria

In line with a commitment made in May 2011 for the disposal of the assets and liabilities of Africa Prepaid Services Nigeria ("APSN"), the financial performance thereof for both the years ended 31 May 2011 and 31 May 2012 are required to be reflected as a discontinued operation. The Multi-Links contract was cancelled in November 2010. The share of losses of R5,5 million incurred in the current year was attributable to the expenditure relating to the winding down of the operation. The comparative year's losses of R41 million comprised impairments of assets and goodwill amounting to R23 million, and the balance of R18 million being attributable to trading losses.

Blue Label Mexico

In February 2011, Grupo Bimbo acquired 40% of BLM by subscribing for new shares. Blue Label's 70% shareholding was diluted to 40% as a result of this transaction, with BLM's management retaining 20%. Accordingly, the group's share of trading losses of R1,3 million for the period June 2010 to February 2011 was reflected as a discontinued operation. Thereafter, the group's share of losses is reflected as "share of losses from associates and joint ventures". The group's remaining 40% shareholding was required to be revalued based on the equity value payable by Grupo Bimbo for its 40% shareholding. This resulted in a net fair value gain of R146 million in the comparative year.

Share of losses from associates and joint ventures

Ukash
The comparative share of profits of R8,8 million included a deferred tax credit adjustment of R6,5 million, with trading profits net of amortisation of intangible assets amounting to R2,3 million. In the current year, prior to a deferred tax debit adjustment of R2,8 million, the share of profits earned on a pure trading basis, net of the amortisation of intangible assets, amounted to R5 million. This represented an increase of R2,7 million (117%). This was achieved through growth in revenue of 57% with a gross profit margin increase from 49% to 53%, all reported in their local currency.

Oxigen Services India

Blue Label's share of profits equated to R4,6 million, compared to prior year share of losses of R5,2 million. This was mainly due to the addition of banking services to its prepaid airtime platform. These results were achieved through a 52% increase in revenue at gross profit margins of 2,95% (2011: 2,25%). EBITDA increased by 778%, all reported in their local currency.

Blue Label Mexico

The comparative share of losses of R6,5 million was for the period March 2011 to May 2011, during which period Blue Label's equity holding in BLM was reduced from 70% to 40%. The current year's share of losses of R25 million was for the full 12-month period. BLM's total losses increased from R22 million to R60 million. The increase in losses was largely due to costs incurred in the process of gearing up for an extensive roll out of point of sale devices through the Grupo Bimbo distribution network.

MOBILE

	2012	2011	Growth	Growth
	R'000	R'000	R'000	
Revenue	87 244	78 516	8 728	11%
Gross profit	66 059	62 444	3 615	6%
EBITDA	97 359	19 347	78 012	403%
Core net profit(loss)	73 962	(756)	74 718	9 883%

This segment comprises Callfwd, Blue Label One and Content Connect Africa.

The growth in EBITDA of R78 million was inclusive of the once off income receipt of R79,4 million.

A net decline at depreciation level and the movement in taxation relating to the once off income receipt accounted for the growth in its contribution to core net profit.

SOLUTIONS

	2012	2011	Growth	Growth
	R'000	R'000	R'000	
Revenue	171 029	118 277	52 752	45%
Gross profit	79 505	58 582	20 923	36%
EBITDA	38 927	18 731	20 196	108%
Core net profit	21 324	7 061	14 263	202%

The Solutions segment houses the Datacat group which operates call centres and provides data and lead generation services. Improvements in the call centre operations and the constant growth in data accumulation continued to manifest themselves in growth at all levels.

TECHNOLOGY

	2012	2011	Growth	Growth
	R'000	R'000	R'000	
Revenue	16 674	16 820	(146)	(1%)
Gross profit	10 891	13 157	(2 266)	(17%)
EBITDA	(64 538)	(61 766)	(2 772)	(4%)
Core net loss	(82 765)	(84 932)	2 167	3%

Technology losses are representative of the costs of development and support of the group's Information Technology infrastructure. Income generation was limited to services to third parties.

CORPORATE

	2012	2011	Growth	Growth
	R'000	R'000	R'000	
EBITDA	(107 391)	(81 664)	(25 727)	(32%)
Core net loss	(126 193)	(88 317)	(27 866)	(28%)

The increase in core net losses of the corporate segment was mainly attributable to the cost of executive bonuses. No executive bonuses were paid in the prior year.

DEPRECIATION, AMORTISATION AND IMPAIRMENT CHARGES

Depreciation declined by R4 million and amortisation of intangible assets in terms of purchase price allocations declined by R14 million. Impairments of goodwill, intangible assets and property, plant and equipment declined by R36 million.

NET FINANCE INCOME

Finance costs

Finance costs totalled R181 million, of which R3 million related to interest paid on borrowed funds and R178 million to imputed IFRS interest adjustments on credit received from suppliers. On a comparative basis, interest paid on borrowed funds was R8 million and the imputed IFRS interest adjustment was R108 million.

Finance income

Finance income totalled R171 million, of which R60 million was interest received on cash resources and R111 million pertained to IFRS adjustments. On a comparative basis interest received on cash resources amounted to R50 million and the imputed IFRS interest adjustment R96 million.

STATEMENT OF FINANCIAL POSITION

The decline in current assets was mainly attributable to the application of funds for an increase in investment in Oxigen Services India of R74 million, additional working capital provided to BLM of R26 million and the acquisition of starter pack bases for R17 million (included in intangible assets). The acquisition of Microsoft's 12% shareholding in the group for R392 million and the purchase of treasury shares for R16 million accounted for the decline in share capital, share premium and treasury shares.

Inventory declined by R473 million, returning to its optimal level of 11 days.

The affording of additional credit to selected clients resulted in debtors collections increasing from 17 to 26 days. Creditor payment terms averaged 37 days.

STATEMENT OF CASH FLOWS

Cash flow of R528 million generated from operating activities was applied to investing activities to the extent of R277 million. This comprised the funding of an additional investment of R74 million in Oxigen Services India, the provision of working capital of R26 million to Blue Label Mexico and the acquisition of starter pack bases for R17 million.

A further R520 million was applied to financing activities to facilitate the purchase of Microsoft's 12% shareholding in the group for R392 million, Treasury shares R16 million and a dividend payment of R107 million.

The resultant accumulated cash resources of the group declined by R251 million to R1,98 billion.

FORFEITABLE SHARE SCHEME

Forfeitable shares totalling 4 828 644 (2011: 6 829 416) were issued to qualifying employees. During the year 1 067 905 (2011: 1 316 366) shares were forfeited and 311 637 (2011: 909 823) shares vested during the current period.

DIVIDENDS

The group's current dividend policy is to declare an annual dividend. Accordingly, notice is hereby given that on Monday, 20 August 2012, the board approved a gross ordinary dividend number 3 of 23 cents per ordinary share (12,55 cents per ordinary share net of dividend withholding tax) for the year ended 31 May 2012. The dividend, inclusive of withholding tax, equates to a 2,95 cover on headline earnings. The total declaration of R155 137 080 for the year ended 31 May 2012 has not been recognised in the financial statements as it was made after this date.

The dividend has been declared from income reserves. The company has no secondary tax on companies credits available. The dividend withholding tax rate is 15%. The issued share capital at the declaration date is 674 509 042 ordinary shares. The company's income tax reference number is 9062246179.

The salient dates are as follows:

Last date to trade cum dividend	Friday, 7 September 2012
Shares commence trading ex dividend	Monday, 10 September 2012
Record date	Friday, 14 September 2012
Payment of dividend	Monday, 17 September 2012

Share certificates may not be dematerialised or rematerialised between Monday, 10 September and Friday, 14 September 2012, both days inclusive.

PROSPECTS

The group is actively building its SMS aggregation capabilities through its own development and strategic acquisitions. The objective is to create economies of scale through mass aggregation, as well as enhancing the range of SMS services available to customers. Increasing customer awareness of the benefits of prepaid electricity and contracts with additional utility providers is likely to enhance commissions generated from prepaid electricity sales. Annuity revenue from an expanding starter pack base is expected to compound accordingly.

The distribution capabilities of Grupo Bimbo, the largest bakery in the world, are expected to add significant momentum to the roll-out of point of sale devices in Mexico.

Oxigen Services India is expected to continue its drive into banking services initiatives in partnership with leading banks and financial institutions in India. The group will continue to focus on expanding its product range offerings and distribution network, organically and through acquisition.

The statement of financial position remains robust and liquid, which augurs well for future growth, acquisitions and distributions to shareholders.

SUBSEQUENT EVENTS

Subsequent to year end, dividend number 3 was declared and approved by the board.

CONTINGENCIES

Multi-Links Telecommunications Limited, a previously wholly owned subsidiary of Telkom Limited in Nigeria, concluded a Super Dealer agreement with Africa Pre-Paid Services (APS), in December 2008 in terms of which APS was appointed for an initial period of 10 years to sell, market and procure customers for Multi-Links' range of products and services (the agreement). On 29 May 2009, APS ceded and assigned all of its rights and obligations in terms of the agreement to APSN. On 26 November 2010 APSN cancelled the agreement arising from Multi-Links' repudiation of its obligations under the contract. On 13 June 2011 APSN launched arbitration proceedings in South Africa (as per contract) against Multi-Links claiming damages (9 claims) in the total sum of USD491 million. Multi-Links is defending the matter and has filed a counterclaim in the amount of USD123 million. Telkom sold its shareholding in Multi-Links to Hip Oil's Topco Limited during September 2011. In addition, in terms of an indemnity contained in the Sale and Purchase agreement between Telkom and Hip Oil's Topco Limited concluded in August 2011, Telkom has issued an indemnity in relation to the APSN claim for amounts in excess of \$10 million. The arbitration has been set down for hearing from 4 November until 15 December 2012.

INDEPENDENT AUDIT

PricewaterhouseCoopers Inc.'s unmodified audit reports on the group annual financial statements and the summarised group annual financial statements for the year ended 31 May 2012 are available for inspection at the company's registered office. Any reference to future financial performance in this announcement has not been audited or reported on by PricewaterhouseCoopers Inc.

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 Chairman **BM Levy and MS Levy** Joint Chief Executive Officers **DB Rhind CA(SA)*** Financial Director 20 August 2012

*Supervised the preparation and review of the group financial statements.