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BLU - Blue Label Telecoms - Reviewed interim results for the half year ended 30 November 2008

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 2008

Financial highlights:
- Revenue* up 23%
- Operating profit* up 27%
- Net profit after tax* up 20%
- Core earnings per share* up 20%
- Cash flows from operating activities R421 million

* when compared to core pro forma earnings

Summarised Group Balance Sheet
as at 30 November 2008

	30 November 2008 Actual Reviewed R`000	31 May 2008 Actual Audited R`000
ASSETS		
Non-current assets	773 425	712 759
Property, plant and equipment	96 102	69 484
Intangible assets	474 807	489 786
Investment in associates and joint ventures	142 705	81 356
Financial assets at amortised cost	59 811	72 133
Current assets	2 858 880	2 509 420
Financial assest at fair value through profit and loss	305	5 672
Inventories	388 259	484 501
Loans receivable	21 621	7 103
Financial assets at amortised cost	61 085	53 163
Trade and other receivables	711 361	630 687
Cash and cash equivalents	1 676 249	1 328 294
Total assets	3 632 305	3 222 179
EQUITY AND LIABILITIES		
Capital and reserves	2 103 865	1 917 944
Share capital, share premium and treasury shares	4 380 606	4 404 737
Restructuring reserve	(1 843 912)	(1 843 912)
Foreign currency translation reserve	4 405	2 552
Transaction with minority reserve	(898 564)	(898 564)
Retained earnings	442 916	244 758
	2 085 451	1 909 571
Minorities` interest	18 414	8 373
Non-current liabilities	67 651	58 056
Deferred taxation	51 887	55 111
Interest-bearing borrowings	15 764	2 945
Current liabilities	1 460 789	1 246 179
Trade and other payables	1 363 311	1 152 969
Non-interest-bearing borrowings	20 389	9 041
Current tax liabilities	74 883	71 146
Current portion of interest-bearing borrowings	2 206	13 023
Total equity and liabilities	3 632 305	3 222 179

Summarised Group Income Statement
as at 30 November 2008

			Six months ended
	30 November 2008	30 November 2007	30 November 2007
	Actual	Actual	Core pro forma
	Reviewed	Reviewed	Unaudited
	R`000	R`000	R`000
Revenue	7 573 458	5 797 260	6 174 559
Other income	25 226	15 451	22 268
Cost of inventories sold	(7 049 489)	(5 471 583)	(5 807 484)
Employee compensation and benefit expense	(125 639)	(166 420)	(84 693)
Depreciation, amortisation and			

impairment charges	(45 377)	(18 928)	(33 934)
Other expenses	(127 960)	(64 281)	(74 109)
Operating profit	250 219	91 499	196 607
Finance income	103 858	72 576	104 623
Finance expense	(50 119)	(92 451)	(52 142)
Share of loss of associates	(14 082)	(4 353)	(6 573)
Profit for the period before taxation	289 876	67 271	242 515
Taxation	(90 186)	(26 568)	(76 461)
Net profit for the period	199 690	40 703	166 054
Net profit for the period attributable to:	199 690	40 703	166 054
Equity holders of parent	198 158	14 379	164 872
Minority interest	1 532	26 324	1 182
Earnings per share for profit attributable to equity holders (cents)			
- Basic	25.86	3.47	21.51
- Headline	26.06	3.79	21.68
Weighted average number of shares	766 231 733	414 166 131	766 360 894
Number of shares in issue	766 360 894	766 360 894	766 360 894
Unaudited reconciliation between net profit and core net profit for the period:			
Net profit for the period	199 690	40 703	166 054
Once off employee compensation and benefit expense net of tax	-	56 800	-
Amortisation on intangibles raised through business combinations net of tax	18 857	6 887	16 800
Cancellation of onerous contract	-	9 000	-
Core net profit for the period	218 547	113 390	182 854
Core net profit for the period attributable to:	218 547	113 390	182 854
Equity holders of parent	215 926	85 095	180 707
Minority interest	2 621	28 295	2 147
- Core earnings per share (cents) *	28.18	20.55	23.58

* Core earnings per share is calculated after adding back the amortisation of intangible assets as a consequence of the purchase price allocations exercise in terms of IFRS 3: Business Combinations, the prior year costs incurred in terms of the Management Bonus Settlement Agreement and the termination of the Otter Mist Trading CC consulting agreement, as explained in the pre-listing statement.

Summarised Group Statement of Changes in Equity
for the six months ended 30 November 2008

	Share capital, share premium and treasury shares	Retained earnings
	Reviewed	Reviewed
	R`000	R`000
Balance as at 1 June 2007	2 079 533	65 685
Shares issued during the period	2 364 929	-
Net profit for the period	-	14 379
Listing costs	(39 846)	-
Dividends declared	-	(999)
Minorities acquired during the period	-	-
Exchange losses on translation of foreign operations	-	-
Balance as at 30 November 2007	4 404 616	79 065
Balance as at 1 June 2008	4 404 737	244 758
Net profit for the period	-	198 158
Treasury shares	(24 131)	-
Minorities acquired during the period	-	-

Exchange (losses)/gains on translation of foreign operations	-	-
Balance as at 30 November 2008	4 380 606	442 916

	Restructuring reserve	Foreign currency translation reserve
	Reviewed	Reviewed
	R`000	R`000
Balance as at 1 June 2007	(1 843 912)	4 187
Shares issued during the period	-	-
Net profit for the period	-	-
Listing costs	-	-
Dividends declared	-	-
Minorities acquired during the period	-	-
Exchange losses on translation of foreign operations	-	(561)
Balance as at 30 November 2007	(1 843 912)	3 626
Balance as at 1 June 2008	(1 843 912)	2 552
Net profit for the period	-	-
Treasury shares	-	-
Minorities acquired during the period	-	-
Exchange (losses)/gains on translation of foreign operations	-	1 853
Balance as at 30 November 2008	(1 843 912)	4 405

	Transaction with minority reserve	Minority interest	Total equity
	Reviewed	Reviewed	Reviewed
	R`000	R`000	R`000
Balance as at 1 June 2007	(14 893)	129 440	420 040
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 acquired during the period	(884 402)	(136 748)	(1 021 150)
Exchange losses on translation of foreign operations	-	(93)	(654)
Balance as at 30 November 2007	(899 295)	18 923	1 763 023
Balance as at 1 June 2008	(898 564)	8 373	1 917 944
Net profit for the period	-	1 532	199 690
Treasury shares	-	-	(24 131)
Minorities acquired during the period	-	9 063	9 063
Exchange (losses)/gains on translation of foreign operations	-	(554)	1 299
Balance as at 30 November 2008	(898 564)	18 414	2 103 865

Summarised Cash Flow Statement
for the six months ended 30 November 2008

	Six months ended 30 November 2008	30 November 2007
	Actual	Actual
	Reviewed	Reviewed
	R`000	R`000
Cash flows from operating activities	421 142	141 867
Cash flows from investing activities	(110 577)	(186 451)
Cash flows from financing activities	7 554	677 672
Increase in cash and cash equivalents	318 119	633 088
Cash and cash equivalents at the beginning of the period	1 328 294	1 090 044
Cash and cash equivalents acquired in subsidiaries	29 733	5 211
Translation difference	103	-
Cash and cash equivalents at the end of the period	1 676 249	1 728 343

Segmental Summary
for the six months ended 30 November 2008

	30 November 2007 Actual(1)	Restructuring(2)
	Reviewed	Unaudited
	R`000	R`000
Revenue		
South African distribution*	5 623 868	232 789
International distribution*	103 364	109 023
Technology*	14 542	424
Value added services*	55 486	35 063
Corporate*	-	-
Total	5 797 260	377 299
EBITDA		
South African distribution	115 376	14 199
International distribution	8 752	3 597
Technology	(3 961)	4 305
Value added services	13 301	10 133
Corporate	(23 041)	(1 120)
Total	110 427	31 114
Net profit for the period attributable to equity holders		
South African distribution	34 079	32 714
International distribution	(2 767)	(1 206)
Technology	(6 097)	4 690
Value added services	9 429	(2 290)
Corporate	(20 265)	(1 757)
Total	14 379	32 151

	Cash effects(3)	Core Adjustments(4)
	Unaudited	Unaudited
	R`000	R`000
Revenue		
South African distribution*	-	-
International distribution*	-	-
Technology*	-	-
Value added services*	-	-
Corporate*	-	-
Total	-	-
EBITDA		
South African distribution	-	80 000
International distribution	-	-
Technology	-	-
Value added services	-	-
Corporate	-	9 000
Total	-	89 000
Net profit for the period attributable to equity holders		
South African distribution	52 542	61 406
International distribution	-	2 198
Technology	-	-
Value added services	-	9 031
Corporate	-	9 000
Total	52 542	81 635

	30 November 2007 Core pro forma(5)	30 November 2008 Actual
	Unaudited	Reviewed
	R`000	R`000
Revenue		
South African distribution*	5 856 657	7 088 140
International distribution*	212 387	282 944
Technology*	14 966	10 300
Value added services*	90 549	192 074
Corporate*	-	-
Total	6 174 559	7 573 458
EBITDA		
South African distribution	209 575	296 965
International distribution	12 349	18 823
Technology	344	(22 114)
Value added services	23 434	47 176

Corporate	(15 161)	(45 254)
Total	230 541	295 596
Net profit for the period attributable to equity holders		
South African distribution	180 741	255 856
International distribution	(1 775)	(8 341)
Technology	(1 407)	(24 407)
Value added services	16 170	21 967
Corporate	(13 022)	(46 917)
Total	180 707	198 158

	Core Adjustments(6)	30 November 2008 Core
Unaudited Unaudited		
	R`000	R`000
Revenue		
South African distribution*	-	7 088 140
International distribution*	-	282 944
Technology*	-	10 300
Value added services*	-	192 074
Corporate*	-	-
Total	-	7 573 458
EBITDA		
South African distribution	-	296 965
International distribution	-	18 823
Technology	-	(22 114)
Value added services	-	47 176
Corporate	-	(45 254)
Total	-	295 596
Net profit for the period attributable to equity holders		
South African distribution	5 002	260 858
International distribution	2 575	(5 766)
Technology	371	(24 036)
Value added services	9 820	31 787
Corporate	-	(46 917)
Total	17 768	215 926

	30 November 2008 Actual Reviewed R`000	31 May 2008 Actual Audited R`000
Net operating assets/(liabilities)		
South African distribution	1 364 683	1 292 236
International distribution	50 506	22 807
Technology	(6 831)	(739)
Value added services	25 990	4 098
Corporate	(36 257)	(55 161)
Total	1 398 091	1 263 241

* Although segment names have changed, the composition of the underlying segments have remained the same.

Notes:

1. Extracted from the reviewed group income statement of BLT for the half year ended 30 November 2007.
2. Represents the effects of the group restructure based on the assumption that minority acquisitions occurred on 1 June 2007. (See pro forma reconciliation for details of companies part of the restructure).
3. Represents the positive impact on finance income and expense assuming cash raised on listing was received 1 June 2007.
4. Represents the adding back of the amortisation of intangible assets as a consequence of the purchase price allocations exercise in terms of IFRS 3: Business Combinations, the costs incurred in terms of the Management Bonus Settlement Agreement and the termination of the Otter Mist Trading CC consulting agreement, as explained in the pre-listing statement.
5. Represents the core pro forma unaudited group income statement of BLT on the assumption that the restructuring, listing and minority acquisitions were effective 1 June 2007.
6. Represents the adding back of the amortisation of intangible assets as a consequence of the purchase price allocations exercise in terms of IFRS 3: Business Combinations.
7. All adjustments are expected to have a continuing effect on BLT.

Headline Earnings

	30 November 2008	30 November 2007
	Actual	Actual
	Reviewed	Reviewed
	R`000	R`000
Profit attributable to equity holders of parent	198 158	14 379
Loss on disposal of property, plant and equipment	-	1 312
Loss on sale of group companies	255	-
Loan impairment	1 261	-
Headline earnings	199 674	15 691
Headline earnings per share (cents)	26,06	3,79

Acquisition of Subsidiaries

Shares in the following subsidiaries were acquired in the six month period ended 30 November 2008:

	Effective date of acquisition	% acquired
Blue Label Mexico S.A. de C.V.	18 July 2008	70
Content Connect Australia (Proprietary) Limited	19 August 2008	50,5
Answers Direct Marketing (Proprietary) Limited	1 August 2008	80
Datacel Data Services (Proprietary) Limited*	1 August 2008	81
Celebia Holdings Limited	23 June 2008	100

* Fair valuation of assets is still to be finalised

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

	Total
	R`000
Total purchase consideration	30 464
Fair value of net assets acquired	21 672
Goodwill	8 792

The assets and liabilities acquired through the acquisitions are as follows:

	Provisional fair value at acquistion date	Acquirer`s provisional carrying amount on acquistion date
	R`000	R`000
Cash and cash equivalents	31 513	31 513
Property, plant and equipment	161	161
Intangible assets	1 964	1 964
Goodwill	800	800
Receivables	25	25
Borrowings	(3 311)	(3 311)
Payables	(68)	(68)
Provisional fair value of subsidiaries acquired	31 084	31 084
Minority interests	(9 412)	
Provisional fair value of net assets acquired	21 672	
Cash and cash equivalents in subsidiaries acquired		31 513
Total purchase consideration		(30 464)
Less purchase consideration still due		1 735
Cash inflow on acquisition		2 784

Disposal of Subsidiaries

Shares in the following subsidiaries were disposed of in the six month period ended 30 November 2008:

	Effective date of disposal	% held	% disposed
eVoucha (Proprietary) Limited	30 November 2008	51	51
iVeri Payment Solutions (Proprietary) Limited	31 October 2008	51	51

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

	Total
	R`000
Total proceeds	5 500
Fair value of net assets disposed	5 755
Loss on disposal	(255)

The assets and liabilities disposed are as follows:

Fair value at disposal date	
R`000	
Cash and cash equivalents	1 575
Property, plant and equipment	1 170
Intangible assets	1 190
Goodwill	7 834
Inventories	83
Receivables	13 278
Deferred tax	452
Borrowings	(2 223)
Current tax liabilities	(42)
Payables	(17 213)
Fair value of subsidiaries disposed	6 104
Minority interests	(349)
Fair value of net assets disposed of	5 755
Proceeds on disposal of subsidiaries	5 500
Cash and cash equivalents in subsidiaries disposed of	(1 575)
Cash inflow on disposal	3 925

Pro forma reconciliation

The table below sets out the unaudited pro forma information of BLT. The unaudited pro forma statement has been prepared for illustrative purposes only.

	Six months ended 30 November 2007 Actual(1) Reviewed R`000	Restructuring and acquisitions(2) R`000	Cash effects(3) R`000
Revenue	5 797 260	377 299	-
Other income	15 451	6 817	-
Cost of inventories sold	(5 471 583)	(335 901)	-
Employee compensation and benefit expense	(166 420)	1 727	-
Depreciation, amortisation and impairment charges	(18 928)	(15 006)	-
Other expenses	(64 281)	(18 828)	-
Operating profit	91 499	16 108	-
Finance income	72 576	577	31 470
Finance expense	(92 451)	(2 224)	42 533
Share of profit/(loss) of associates	(4 353)	(2 220)	-
Profit for the period before taxation	67 271	12 241	74 003
Taxation	(26 568)	(5 232)	(21 461)
Net profit for the period	40 703	7 009	52 542
Net profit for the period attributable to:	40 703	7 009	52 542
Equity holders of parent	14 379	32 151	52 542
Minority interest	26 324	(25 142)	-
Unaudited reconciliation between net profit for the period and core net profit for the period:			
Net profit for the period	40 703	7 009	52 542
Management bonus settlement net of tax	56 800	-	-
Amortisation on intangibles raised through business combinations net of tax	6 887	9 913	-
Cancellation of onerous contract	9 000	-	-
Core net profit for the period	113 390	16 922	52 542
Core net profit for the period attributable to:	113 390	16 922	52 542
Equity holders of parent	85 095	43 070	52 542
Minority interest	28 295	(26 148)	-

30 November

	adjust-ments(4) R`000	2007 Core pro forma (5) Unaudited Core R`000
Revenue	-	6 174 559
Other income	-	22 268
Cost of inventories sold	-	(5 807 484)
Employee compensation and benefit expense	80 000	(84 693)
Depreciation, amortisation and impairment charges	-	(33 934)
Other expenses	9 000	(74 109)
Operating profit	89 000	196 607
Finance income	-	104 623
Finance expense	-	(52 142)
Share of profit/(loss) of associates	-	(6 573)
Profit for the period before taxation	89 000	242 515
Taxation	(23 200)	(76 461)
Net profit for the period	65 800	166 054
Net profit for the period attributable to:	65 800	166 054
Equity holders of parent	65 800	164 872
Minority interest	-	1 182
Unaudited reconciliation between net profit for the period and core net profit for the period:		
Net profit for the period	65 800	166 054
Management bonus settlement net of tax	(56 800)	-
Amortisation on intangibles raised through business combinations net of tax	-	16 800
Cancellation of onerous contract	(9 000)	-
Core net profit for the period	-	182 854
Core net profit for the period attributable to:	-	182 854
Equity holders of parent	-	180 707
Minority interest	-	2 147

Notes:

1. Extracted from the reviewed group income statement of BLT for the half year ended 30 November 2007.
2. Represents the effects of the group restructure based on the assumption that minority acquisitions occurred on 1 June 2007.

The following subsidiaries are therefore consolidated as wholly owned for the full six months:

- The Prepaid Company
- Kwikpay
- Matragon
- Blue Label One

Similarly, the following associates are consolidated as subsidiaries for the full six months:

- 72% Africa Prepaid Services
- 100% Virtual Voucher
- 100% Cellfind SA
- 100% Datacel
- 100% House of Business Solutions

3. Represents the positive impact on finance income and expense assuming cash raised on listing was received 1 June 2007.
4. Represents the adding back of the amortisation of intangible assets as a consequence of the purchase price allocations exercise in terms of IFRS 3: Business Combinations, the costs incurred in terms of the Management Bonus Settlement Agreement and the termination of the Otter Mist Trading CC consulting agreement, as explained in the pre-listing statement.
5. Represents the core pro forma unaudited group income statement of BLT on the assumption that the restructuring, listing and minority acquisitions were effective 1 June 2007.
6. All adjustments are expected to have a continuing effect on BLT.

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 2007, (which were prepared in accordance with International Financial Reporting Standards (IFRS) and the South African Companies Act).

Overview

The company`s performance for the six month period ended 30 November 2008 was sound. This was predominantly attributable to organic growth.

Although net attributable earnings of R198 million exceeded the earnings for the 2007 relative period by R184 million, equating to a growth in earnings per share from 3.47c to 25.86c (645%), the board of directors believes it is more appropriate to compare actual earnings to historical core pro forma earnings to evaluate the growth of the group.

Core pro forma earnings exclude non recurring and non operational items that applied during the comparative period, and in addition assume that the listing and restructuring of the group took place on 1 June 2007.

The financial highlights and the underlying financial review reflect the comparisons accordingly.

Revenues increased by R1.4 billion (23%) to R7.6 billion.

EBITDA increased by R65 million (28%) to R296 million.

EBITDA margin increased from 3.73% to 3.9%.

Net profit after tax increased by R33 million (20%) to R198 million.

Core net profit after tax increased by R35 million (20%) to R216 million.

GP percentage increased from 5.94% to 6.92%

Core earnings per share increased from 23.58c to 28.18c

The underlying report has been prepared on a segmental basis to provide shareholders with an enhanced perspective of contributions to profitability by the various operational divisions.

The segmental split is as follows:

South African distribution

? Distribution of electronic tokens of value encompassing prepaid air time and starter packs, bill payments, prepaid electricity, prepaid insurance and redeemable prepaid vouchers for online products and services.

International distribution

Replication of the South African distribution model internationally.

Value added services

Telemarketing of cellular and financial services products, inbound customer care and technical support via four call centres.

Marketing of location based products 'Look 4 me' and 'Look 4 help' (Vodacom) as well as 'Where are U 'and '2 my aid' (MTN).

Aggregation of localised content for mobile operators and third party clients.

Technology

Development, integration and management of the group`s IT systems and technologies.

Revenue

Segment	R`000	
	2008	2007
	Actual Reviewed	Pro forma Unaudited
South African distribution	7 088 140	5 856 657
International distribution	282 944	212 387
Value added services	192 074	90 549
Technology	10 300	14 966
Total	7 573 458	6 174 559

Segment	% of total		%
	2008	2007	Growth
South African distribution	93.6	94.8	21.0
International distribution	3.7	3.5	33.2
Value added services	2.6	1.5	112.1
Technology	0.1	0.2	(31.2)
Total	100	100	22.7

South African distribution

This segment contributed most of the revenue. Prepaid virtual air time sales comprised 75%, prepaid physical air time 22% and prepaid electricity 3% of the revenue.

Revenue from prepaid electricity grew by an encouraging 200%.

International distribution

Revenue from this segment increased by R70 million (33%), of which R50 million (24%) was as a result of foreign exchange translations and R20 million (9%) as a result of organic growth in the trading divisions abroad.

Value added services

Total growth of this segment was R102 million (112%) of which acquisitive growth accounted for R35 million (38%) and organic growth R67 million (74%).

Technology

The focus on in-house technological support and product development and enhancement has resulted in a conscious decision to reduce services and support to third parties. This accounts for the decline in revenue from third parties by R4.6 million.

EBITDA

Segment	R`000	
	2008	2007
	Actual	Pro forma
	Reviewed	Unaudited
South African distribution	296 965	209 575
International distribution	18 823	12 349
Value added services	47 176	23 434
Total trading operations	362 964	245 358
Technology	(22 114)	344
Corporate	(45 254)	(15 161)
Total support	(67 368)	(14 817)
Net total	295 596	230 541

Segment	%	2008	2007
	Growth	EBITDA	EBITDA
		Margin %	Margin %
South African distribution	42	4.19	3.58
International distribution	52	6.65	5.81
Value added services	101	24.56	25.87
Total trading operations	48	4.80	3.99
Technology			
Corporate			
Total support			
Net total	28	3.90	3.73

South African distribution

EBITDA margin of 4.19% represented an increase of 0.61% from 3.58%. This was as a result of increased revenue at higher gross profit margins exceeding the increase in overheads.

International distribution

The growth in EBITDA of R6.5 million was predominantly due to foreign exchange movements.

Value added services

The growth in EBITDA from R23 million to R47 million (101%) resulted from a combination of acquisitive growth (R8 million) and organic growth (R15 million) (65%).

The EBITDA margin declined from 25.87% to 24.56% in line with the necessity to enhance and expand existing infrastructure in order to support sustained growth in revenue.

Technology and corporate

There was growth in expenditure on technology and corporate of R45 million representative of the costs of enhanced infrastructure and administrative support systems and skills required to strengthen the platform for current and future expansion both locally and internationally.

The growth in EBITDA generated by the trading operations from R245 million to R363 million (48%) could not have been achieved without the necessary technical, entrepreneurial and administrative support aligned thereto.

Net finance income

Finance income

Finance income of R104 million was earned by the South African distribution division. Of this amount R14 million relates to imputed interest receivable on debtor balances in terms of IFRS with R90 million earned on liquid working capital.

Pro forma finance income earned in the comparative period amounted to R104.6 million of which R6 million applied to imputed interest receivable on debtor balances in terms of IFRS.

There was therefore a decline in finance income of R9.6 million net of the above IFRS adjustments. This was due to the application of R293 million to piecemeal investments from January 2008 to October 2008.

Finance expense

Of the finance expense of R50 million, R48 million relates to imputed interest payable on creditor balances in terms of IFRS.

Share of losses from associates and joint ventures

Associates and joint ventures	%	R`000		%
	Holding	2008	2007	Growth
		Actual	Pro forma	

		Reviewed	Reviewed	
Oxigen Services India Pvt Ltd	38.85	(14 285)	(6 573)	(117)
Smart Voucher Limited (Ukash)	17.25	(195)	-	-
Other	50	398	-	-
Total		(14 082)	(6 573)	(114)

Oxigen Services India Pvt (Ltd)

Oxigen Ser vices India Pvt (Ltd) continues to incur losses, as anticipated in line with the cost of rolling out point of sale devices over a widespread area. Management remain confident in the prospects of this operation.

Smart Voucher Limited trading as Ukash

A minority stake in this United Kingdom based company was purchased in October 2008. The company has developed and distributes proprietary electronic pins which enable the electronic redemption of online products and services. This technology is of strategic value to the group. The Ukash application is an added value product which will be distributed through the group`s global footprint.

Core net profit attributable to equity holders

Segment		R`000	R`000
	2008	2007	Growth
	Actual	Pro forma	
	Unaudited	Unaudited	
South African distribution	260 858	180 741	80 117
International distribution	(5 766)	(1 775)	(3 991)
Value added services	31 787	16 170	15 617
Total operations	286 879	195 136	91 743
Technology	(24 036)	(1 407)	(22 629)
Corporate	(46 917)	(13 022)	(33 895)
Total support	(70 953)	(14 429)	(56 524)
Total	215 926	180 707	35 219
Core Earnings per share	28.18c	23.58c	4.60c

The growth in contribution to core earnings of R92 million (47%) from operations results from continued investment in technology and support service. Corporate expenditure has increased in line with the costs of an expanding professional executive team and by the expenses aligned to acquisitive growth exploration and implementation.

The core earnings of R216 million, equating to a growth of R35 million (20%) on pro forma earnings, was calculated after adding back the amortisation of intangibles of R18 million to the net profit after tax of R198 million.

Dividends

The group will only consider paying dividends from the financial year commencing June 2010.

Assets

Total assets increased by R410 million (12.73%) to R3.6 billion from R3.2 billion at May 2008.

Non current assets

The net increase in non current assets was R60.7 million.

This was attributable to the following:

Increase in property, plant and equipment of R26.7 million, mainly as a result of the purchase of point of sale devices required in both the South African and International distribution segments.

A net decrease in intangible assets of R15 million due to amortisation.

Increase in investments in associates of R61.3 million.

A net decrease in unactivated starter packs of R12.3 million. Financial assets at amortised cost relate to starter packs which have been sold but not yet activated.

Current assets

Current assets increased by R349.4 million. The increase was largely attributable to the growth in cash and cash equivalents achieved as a result of profit generation and stringent working capital management.

Capital and reserves

The share capital and share premium declined by R24 million attributable to the purchase of treasury shares in terms of the group`s staff share incentive scheme.

The restructuring reserve of R1.84 billion arose in the prior year as a result of the restatement of group 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.

Goodwill arising on transactions with minorities of R899 million is recognised against reserves on the balance sheet, as minority shareholders are treated as equity participants. This is in accordance with the economic entity method which was adopted by the group in the prior year.

Liabilities
Total liabilities increased by R224 million mainly due to the growth in trade and other payables, in line with the organic growth of the group.
Cash flow
Operating profit growth and the constant focus on stringent working capital management resulted in healthy cash flows from operating activities of R421 million. This manifests itself in the current ratio of 2 to 1 and the quick ratio of 1.7 to 1. Of this cash generated, R110 million was applied to investing activities.
Prospects
In spite of the global economic meltdown, the products and services provided by the group remain resilient. The group will continue to pursue the growth of its global transactional footprint as the foundation for the roll out of its expanding range of secure electronic tokens of value and allied services.
The group`s transactional point of sale ('POS') and mobile systems and products and services are currently being integrated into Microsoft`s mobile and advertising service platforms. During the course of 2009, these capabilities and services will be rolled out into emerging and developing markets through Microsoft UPG (Unlimited Potential Group) and BLT`s global partners, utilising POS and mobile channels. This in future will translate into the monetisation of mobile and POS advertising in these markets.
The group has successfully grown its community based channels for the distribution of its products, including starter packs. The intention is to capitalise on this distribution base both organically and through the introduction of new channels.
A strategic relationship has been established with First Data Corporation, a leading global transactional switching ser vice provider, in which cross pollination of relative networks is being explored.
Subsequent to the period under review, Africa Prepaid Services, a subsidiary of BLT, concluded an agreement with Multilinks Telecommunications Ltd, a subsidiary of Telkom in Nigeria, in terms of which Africa Prepaid Services has been granted a service provider licence in Nigeria.
BLT has also acquired an effective 50.1% stake in Virtual Prepaid Network LLC ('VPN') through its newly formed wholly owned subsidiary BLT USA Inc. VPN is based in New York and is focused on virtual distribution of prepaid international calling cards servicing mainly ethnic and emerging markets.
Review opinion
The results for the period ended 30 November 2008 have been reviewed by the company`s auditors, PricewaterhouseCoopers Inc. and the unmodified review report is available for inspection at the company`s registered office.
Appreciation
The board of BLT remains continuously grateful to its staff, suppliers, customers and business partners for their ongoing support and loyalty to the group.
For and on behalf of the Board

L M Nestadt	B M Levy and M S Levy	D B Rivkind
Chairman	Joint Chief Executive Officers	Chief Financial Officer

Directors:
L M Nestadt (Chairman)*, B M Levy, M S Levy, S Ellerine*, G D Harlow*, R J Huntley*, N N Lazarus*, J S Mthimunye*, M V Pamensky, D B Rivkind, H C Theledi*, L M Tyalimpi*, P Mansour *#
(*Non Executive)   (#American)
Company Secretary: E Viljoen
Sponsor: Investec
24 February 2009
Date: 25/02/2009 08:00:05 Produced by the JSE SENS Department.