BLU
BLU
BLU - Blue Label Telecoms Limited - Audited results for the year ended 31 May 2008

Blue Label Telecoms Limited
(Incorporated in the Republic of South Africa)
Registration number: 2006/022679/06
JSE Code: BLU
ISIN Code: ZAE000109088

Audited results for the year ended 31 May 2008

Key Highlights
* Successful listing, capital raising of R1.3 billion
* Microsoft Corporation`s acquisition of a 12% equity stake in the group and the conclusion of a strategic collaboration agreement
* Microsoft Corporation`s acquisition of a 38.85% equity stake in Oxigen Services India
* Pro forma revenue increased by 16.4% to R12.93 billion (R11.1 billion in PLS)
* Actual revenue increased by 15.1% to R12.55 billion (R10.9 billion in PLS)
* Pro forma core net profit increased by 9.1% to R371 million (R340 million in PLS)
* Actual net profit increased by 25.5% to R181 million (R144 million in PLS)
* Pro forma core basic earnings per share increased by 5.7% to 48.40 cents (45.81 cents in PLS)
* Actual basic earnings per share increased by 16.5% to 30.65 cents (26.30 cents in PLS)

Summarised Group Balance Sheet
as at 31 May 2008

	31 May 2008 Actual R`000	31 May 2007 Predecessor value R`000
Assets		
Non-current assets	712 759	276 238
Property, plant and equipment	69 484	43 516
Intangible assets	489 786	119 020
Investment in associates and joint ventures	81 356	61 804
Financial asset at amortised cost	72 133	51 898
Current assets	2 509 470	1 685 835
Financial assets at fair value through profit and loss	5 672	16 183
Financial assets at amortised cost	53 163	32 485
Inventories	484 501	263 631
Loans receivable	7 103	4 751
Trade and other receivables	630 687	278 741
Cash and cash equivalents	1 328 344	1 090 044
Total assets	3 222 229	1 962 073
Equity and liabilities		
Capital and reserves	1 917 944	418 021
Share capital and share premium	4 404 737	2 079 533
Restructuring reserve	(1 843 912)	(1 843 912)
Foreign currency translation reserve	2 552	4 188
Transaction with minority reserve	(898 564)	(14 893)
Retained earnings	244 758	63 867
	1 909 571	288 783
Minorities interest	8 373	129 238
Non-current liabilities	58 056	38 815
Deferred taxation	55 111	21 085
Borrowings	2 945	17 730
Current liabilities	1 246 229	1 505 237
Trade and other payables	1 152 969	888 011
Current tax liabilities	71 146	31 617
Bank overdraft	50	-
Borrowings	22 064	585 609
Total equity and liabilities	3 222 229	1 962 073

Summarised Group Income Statement
for the year ended 31 May 2008

	2008 Pro forma unaudited R`000	2008 Actual audited R`000	2007 Predecessor value audited R`000
Revenue	12 930 609	12 545 471	8 895 044

Other income	68 142	69 545	34 585
Changes in inventories of finished goods	(12 211 507)	(11 875 606)	(8 469 965)
Employee compensation and benefit expense	(275 629)	(265 003)	(142 320)
Depreciation, amortisation and impairment charges	(73 675)	(58 670)	(26 682)
Other expenses	(164 686)	(146 240)	(88 208)
Operating profit	273 254	269 497	202 454
Net finance income/(cost)	132 866	45 577	(38 251)
Share of losses from associates	(19 661)	(17 441)	(956)
Net profit before taxation	386 459	297 633	163 247
Taxation	(116 529)	(89 841)	(53 420)
Net profit for the year	269 930	207 792	109 827
Attributable to:			
Equity holders of parent	269 423	180 891	63 867
Minority interest	507	26 901	45 960
Earnings per share for profit attributable to equity holders (cents)			
- Basic	35.16	30.65	16.89
- Headline	34.86	30.26	15.29
Weighted average number of ordinary shares in issue	766 360 894	590 263 513	378 097 993
Unaudited reconciliation between net profit and core net profit for the year:			
Net profit for the year	269 423	180 891	63 867
Management bonus settlement net of tax	57 600	57 600	-
Amortisation on intangibles raised through business combinations net of tax and minority interest	34 919	22 937	3 916
Cancellation of onerous contract	9 000	9 000	-
Core net profit for the year	370 942	270 428	67 783
Core net profit for the year attributable to:	373 093	301 409	120 333
Equity holders of parent	370 942	270 428	67 783
Minority interest	2 151	30 981	52 550
- Core earnings per share (cents)*	48.40	45.81	17.93

* Core earnings per share is calculated after adding back the amortisation of intangible assets as a consequence of the purchase price allocations exercised 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.

Acquisition of subsidiaries

Shares in the following subsidiaries were acquired during 2008 post listing:

Subsidiary	Effective date of acquisition	% acquired
CNS Call Centre	1 January 2008	80%
Content Connect Africa	23 January 2008	100%
Little River 181	1 March 2008	100%
POS Control Services	1 March 2008	52%

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

	Total R`000
Total purchase consideration	131,355
Fair value of net assets acquired	42,124
Goodwill	89,231

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

	Fair value at acquisition	Acquirer`s carrying amount on acquisition

	date R`000	date R`000
Cash and cash equivalents	6,145	6,145
Property, plant and equipment	1,385	1,385
Intangible assets	46,291	248
Goodwill	5,488	5,488
Receivables	2,984	2,984
Deferred tax	(12,891)	-
Borrowings	(37)	(37)
Payables	(5,817)	(5,817)
Fair value of subsidiaries acquired	43,548	10,396
Minority interests	(1,424)	
Fair value of net assets acquired	42,124	
Cash and cash equivalents in subsidiary acquired		6,145
Purchase consideration		(131,355)
Net cash flow on acquisition		(125,210)

Summarised Group Statement of Changes in Equity
for the year ended 31 May 2008

	Share capital and share premium R`000	Retained earnings R`000	Restructuring reserve R`000	Foreign translation reserve R`000
Balance as at 1 June 2006 (Predecessor value)	2 079 533	-	(1 998 328)	-
Net profit for the period	-	63 867	-	-
Dividends	-	-	-	-
Minorities acquired during the period	-	-	150 998	-
Associates acquired during the period	-	-	3 418	-
Exchange gains on translation of foreign operations	-	-	-	4 188
Balance as at 31 May 2007 (Predecessor value)	2 079 533	63 867	(1 843 912)	4 188
Shares issued during the year	2 364 928	-	-	-
Share issue costs	(39 724)	-	-	-
Net profit for the period	-	180 891	-	-
Dividends	-	-	-	-
Minorities disposed of during the year	-	-	-	-
Exchange losses on translation of foreign operations	-	-	-	(1 636)
Balance as at 31 May 2008 (Actual)	4 404 737	244 758	(1 843 912)	2 552

	Transaction with minority reserve R`000	Minority interest R`000	Total equity R`000
Balance as at 1 June 2006 (Predecessor value)	-	-	81 205
Net profit for the period	-	45 960	109 827
Dividends	-	(348)	(348)
Minorities acquired during the period	(14 893)	83 631	219 736
Associates acquired during the			

period	-	-	3 418
Exchange gains on translation of foreign operations	-	(5)	4 183
Balance as at 31 May 2007 (Predecessor value)	(14 893)	129 238	418 021
Shares issued during the year	-	-	2 364 928
Share issue costs	-	-	(39 724)
Net profit for the period	-	26 901	207 792
Dividends	-	(998)	(998)
Minorities disposed of during the year	(883 671)	(146 294)	(1 029 965)
Exchange losses on translation of foreign operations	-	(474)	(2 110)
Balance as at 31 May 2008 (Actual)	(898 564)	8 373	1 917 944

Summarised Segmental Summary
for the year ended 31 May 2008

Revenue

	31 May 2008 Actual	31 May 2007 Predecessor value
	R`000	R`000
Telecommunication distribution	11 961 569	8 810 603
International distribution	383 406	50 461
Technology platforms	27 881	1 705
Related services	172 615	32 275
Corporate	-	-
Total	12 545 471	8 895 044

EBITDA

	31 May 2008 Actual	31 May 2007 Predecessor value
	R`000	R`000
Telecommunication distribution	339 352	259 616
International distribution	17 968	3 954
Technology platforms	(9 796)	(3 935)
Related services	42 247	(1 557)
Corporate	(61 604)	(28 942)
Total	328 167	229 136

Net profit/(loss) after tax

	31 May 2008 Actual	31 May 2007 Predecessor value
	R`000	R`000
Telecommunication distribution	244 690	100 059
International distribution	(14 262)	(9 054)
Technology platforms	(11 134)	(3 519)
Related services	22 553	4 628
Corporate	(60 956)	(28 247)
Total	180 891	63 867

Net operating assets/ (liabilities)

	31 May 2008 Actual	31 May 2007 Predecessor value
	R`000	R`000
Telecommunication distribution	1 295 784	221 015
International distribution	19 259	(17 956)
Technology platforms	(739)	(7 495)
Related services	4 098	(4 420)
Corporate	(55 161)	(10 546)
Total	1 263 241	180 598

Pro forma Reconciliation

Unaudited reconciliation between group net profit and group pro forma net profit:

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

31 May 2008 and	Actual(1) audited R`000	Restructuring acquisitions(2) unaudited R`000
Revenue	12 545 471	385 138
Other income	69 545	(1 403)
Changes in inventories of finished goods	(11 875 606)	(335 901)
Employee compensation and benefit expense	(265 003)	(10 626)
Depreciation, amortisation and impairment charges	(58 670)	(15 005)
Other expenses	(146 240)	(18 446)
Operating profit	269 497	3 757
Finance income	193 281**	(215)
Finance expense	(147 704)**	(1 433)
Share of loss from associates	(17 441)	(2 220)
Profit for the year before taxation	297 633	(111)
Taxation	(89 841)	(1 785)
Net profit	207 792	(1 896)
Net profit attributable to:	207 792	(1 896)
Equity holders of parent	180 891	24 498
Minority interest	26 901	(26 394)
Unaudited reconciliation between net profit and core net profit for the year:		
Net profit	180 891	24 498
Management bonus settlement net of tax	57 600	-
Amortisation on intangibles raised through business combinations net of tax and minority interest	22 937	11 982
Cancellation of onerous contract	9 000	-
Core net profit	270 428	36 480
Core net profit attributable to:	301 409	7 650
Equity holders of parent	270 428	36 480
Minority interest	30 981	(28 830)

unaudited unaudited	Cash effects(3) R`000	31 May 2008 Pro forma (4) R`000
Revenue	-	12 930 609
Other income	-	68 142
Changes in inventories of finished goods	-	(12 211 507)
Employee compensation and benefit expense	-	(275 629)
Depreciation, amortisation and impairment charges	-	(73 675)
Other expenses	-	(164 686)
Operating profit	-	273 254
Finance income	46 404	239 470
Finance expense	42 533	(106 604)
Share of loss from associates	-	(19 661)
Profit for the year before taxation	88 937	386 459
Taxation	(24 903)	(116 529)
Net profit	64 034	269 930
Net profit attributable to:	64 034	269 930
Equity holders of parent	64 034	269 423
Minority interest	-	507
Unaudited reconciliation between net profit and core net profit for the year:		
Net profit	64 034	269 423
Management bonus settlement net of tax	-	57 600
Amortisation on intangibles raised through business combinations net of tax and minority interest	-	34 919

Cancellation of onerous contract	-	9 000
Core net profit	64 034	370 942
Core net profit attributable to:	64 034	373 093
Equity holders of parent	64 034	370 942
Minority interest	-	2 151

** Included in finance expense is an amount of R101 million that relates to the imputed interest on creditor`s balances. Similarly, R16 million is included in the finance income for the imputed interest on debitor`s balances.

Notes

1. Extracted from the audited group income statement of BLT for the year ended 31 May 2008.
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 year:

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

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

- 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 pro forma unaudited group income statement of BLT on the assumption that the restructuring, listing and minority acquisitions were effective 1 June 2007.
5. All adjustments are expected to have a continuing effect on BLT.

Summarised Group Cash Flow Statement
for the year ended 31 May 2008

	31 May 2008 Actual R`000	31 May 2007 Predecessor value R`000
Net cash flows from operating activities	(19 796)	168 970
Net cash flows from investing activities	(405 156)	684 383
Net cash flows from financing activities	661 782	236 691
Increase in cash and cash equivalents	236 830	1 090 044
Cash and cash equivalents at the beginning of the year	1 090 044	-
Translation difference	1 420	-
Cash and cash equivalents at the end of the year	1 328 294	1 090 044

Headline earnings per share

Headline earnings are calculated applying the principles contained in SAICA circular 8/2007. The weighted average number of shares used is as per the income statement.

	Profit before tax and minorities R`000	Tax R`000	Minorities R`000
Profit attributable to equity holders of the company	297 633	(89 841)	(26 901)
Loss/(profit) on disposal of property, plant and equipment	422	(118)	-
Profit on sale of group company	-	-	-
Profit on sale of investment	-	-	-
Negative goodwill	(2 585)	-	-
Headline earnings	-	-	-

	2008 Actual Headline earnings R`000	2007 Predecessor value Headline earnings R`000
Profit attributable to equity holders of the company	180 891	63 867

Loss/(profit) on disposal of property, plant and equipment	304	(152)
Profit on sale of group company	-	(4 933)
Profit on sale of investment	-	(482)
Negative goodwill	(2 585)	(481)
Headline earnings	178 610	57 819

Commentary

INTRODUCTION

The Board of Blue Label Telecoms Limited (BLT) is pleased to present the pro forma results and audited results for the financial year ended 31 May 2008. The results surpass the unaudited pro forma and forecast financial information contained in the pre listing statement (PLS).

NATURE OF BUSINESS

BLT and its subsidiary and associate companies (the group) produce and distribute a wide variety of prepaid secure electronic tokens of value and transactional services. The group`s prepaid products and service offerings include prepaid airtime, prepaid electricity, bill payments, electronic funds transfers, loyalty programs, stored value cards, location based services and other physical and virtual prepaid electronic tokens of value. The group processes in excess of 500 million monthly transactions through several hundred thousand mobile and fixed points of presence.

In South Africa BLT has in excess of 120 000 points of presence through which it distributes its products and services. Beyond South Africa, BLT has introduced and is in the process of introducing mirror images of its proven business model in a number of emerging markets, including India, Mexico and countries in Africa.

In developing economies the supply of products and services through prepaid channels has become a significant mode of distribution. Logistical impediments to the physical distribution of products are surmounted through virtual delivery technology platforms. As the unbanked market does not have access to credit, prepaid electronic tokens of value have become the access point to previously unavailable first world products and services.

THE MICROSOFT RELATIONSHIP

BLT and the Microsoft Corporation (Microsoft) signed a strategic collaboration agreement in November 2007 to provide each other with mutual assistance in exploring new business opportunities and preferred partnership initiatives across the world`s emerging and developing economies. The agreement provides for an advertising revenue share model which is anticipated to begin generating revenue in the next eighteen months.

During the year, Microsoft nominated Mr. Peter Mansour, a key member of Microsoft`s Unlimited Potential Group Inc., as its non-executive director on the Board of BLT. This appointment took effect on 22 May 2008.

STRATEGIC INITIATIVES POST YEAR END

Gold Label Investment (Proprietary) Limited (Gold Label), a wholly owned subsidiary of BLT, acquired an additional 3.85% of the shares in Oxigen Services India Private Limited (Oxigen). Gold Label now holds 38.85% of the shares in Oxigen with Microsoft holding 38.85% and the management of Oxigen holding the balance.

Oxigen has recently launched OxiCash, a stored value 'virtual wallet' that enables consumers to purchase prepaid products and services online or through Oxigen`s network which has in excess of 60 000 points of presence across India. OxiCash is an important step in the evolution of a full scale 'virtual wallet' and money transfer offering that will be distributed via the mobile phone and accessed across any of BLT`s global footprint of touch points.

Gold Label has acquired a 17.25% interest in a United Kingdom based company called Smart Voucher Limited (trading under the name of Ukash). Gold Label also has an option to purchase an additional 32.75% in the company in the next three years. This company has developed valuable proprietary technology which enables the purchase of a prepaid voucher that may be redeemed for online products and services, and will be integral to BLT`s mobile strategy in the future. The company has a footprint in Western Europe and intends to expand into developing markets which have populations that are technologically sophisticated but are often unbanked.

BLT has jointly established Blue Label Mexico, with Nadhari S.A. de C.V., a Mexican company that has expertise in the strategic and operational development of products and services within emerging markets. The establishment of a business presence in Mexico is an important step in the group`s goal of creating a transaction based distribution network in the emerging markets of Latin America.

BLT has launched an innovative mobile service, known as mibli, based on a technology platform which creates a customer-focused mobile eco-system. An on-phone experience has been created that accommodates many different services (for example instant messaging, ticket and content purchasing, airtime top-ups, etc.) through a single application. The platform also allows retailers and service providers to bring their products and services to market through integration with a virtual wallet which is powered by Windows Live. By being Microsoft Windows Live enabled, mobile users access their virtual wallet, their mobile services and all online and transactional services through a single identity.

PREPARATION OF PRO FORMA RESULTS

In compliance with JSE Listing Requirements, the group has provided a reconciliation between the actual audited financial results for the financial year ended 31 May 2008 and the pro forma unaudited financial results for the same period.

The pro forma financial results have been prepared to illustrate the impact of the group`s financial results as if the listing, restructuring and acquisition of minorities occurred on 1 June 2007.

In addition, the pro forma results assume that the capital raised on listing was received on 1 June 2007, thereby impacting significantly on the group`s net finance income.

PRELISTING STATEMENT

The pre listing statement included the group`s unaudited forecasts of basic and headline earnings of R144 million, core earnings of R234 million, pro forma earnings of R250 million and core pro forma earnings of R340 million.

These forecasts equated to basic and headline earnings per share of 26.30 cents, core earnings per share of 42.68 cents, pro forma earnings per share of 33.61 cents and core pro forma earnings per share of 45.81 cents.

TRADING STATEMENT

On 14 July 2008 the group issued a trading statement announcing that it expected to exceed both the forecasts presented in the prelisting statement pertaining to basic and headline earnings at a range of between 20% and 30% and the pro forma forecasted basic and headline earnings at a range of between 7% and 12%.

The final audited results equated to an increase of 25.5% in earnings and an increase of 7.9% in pro forma earnings.

The actual core earnings of R270 million and the pro forma core earnings of R371 million equate to increases over forecast of 15.5% and 9.0% respectively. The pro forma core earnings are the true measure of the group`s sustainable operating performance.

The pro forma core earnings per share of 48.40 cents compared to the relative forecast of 45.81 cents represents an increase of 5.7% over forecast.

BASIS OF PREPARATION

The group financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS), the Listing requirements of the JSE Limited and the South African Companies Act 61 of 1973, as amended.

The consolidated financial statements are prepared in accordance with the going concern principle under the historical cost basis as modified by the revaluation of certain assets and liabilities where required or elected in terms of IFRS. The accounting policies and methods of computation are consistent with those used in the comparative financial information for the year ended 31 May 2007.

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 an extensive restatement of comparatives. Shareholders are therefore advised to exercise caution and should read the final results as reported in conjunction with the pre listing statement, when attempting to make year on year comparisons.

FINANCIAL REVIEW

Income statement

The group`s reported results for the year ended 31 May 2008 reflects actual group revenue of R12.55 billion (pro forma - R12.93 billion), EBITDA of R328 million (pro forma - R347 million), net profit after tax of R181 million (pro forma - R269 million) and core net profit after tax of R270 million (pro forma - R371 million).

In order to accurately reflect core and pro forma core earnings for the full year, the group has added back previously disclosed non-recurring and non-operational items of R57.6 million relating to a management bonus settlement, R9 million relating to the termination of a commission agreement and R22.9 million (pro forma - R34.9 million) relating to the amortisation of intangible assets that arose as a consequence of purchase price allocations calculated in terms of IFRS 3: Business Combinations.

Revenue

Comparing the actual results with the predecessor value audited 2007 results, revenue of the group increased by R3.65 billion (41%) mainly due to strong organic growth and continued escalation in consumer demand for prepaid airtime.

Gross profit margin

The group`s trading environment is characterised by high volumes and relatively low margins, resulting in a gross profit margin of 5.34% for the period under review. This compares to 4.78% achieved in the previous year.

NET FINANCE INCOME

The company earned net finance income of R46 million compared to a net finance expense of R38 million in the prior year.

Assuming the group had listed on 1 June 2007, net finance income would have increased by a further R87 million.

Finance Income

The group`s finance income for the year was R193 million earned from the residue of funds raised on listing. R16 million of this amount relates to imputed interest receivable on debtors balances in terms of IFRS.

Assuming the group had listed on 1 June 2007, finance income would have been an additional R46 million.

Finance expense

The group`s finance expense for the year was R148 million. R101 million included in the amount relates to imputed interest on creditor balances in terms of IFRS.

Assuming the group had listed on 1 June 2007, its finance expense would have been reduced by R43 million as the group would have settled its interest bearing debt at that date.

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 have been settled on 1 June 2006.

Share of loss from associate

A loss amounting to R19.7 million is attributable to Oxigen Services India. Other associated companies prior to listing generated positive contributions of R 2.3 million.

Effective tax rate

As a result of certain non-deductible expenses, the group`s overall effective tax rate for the full year was 30%.

Dividends

As per the group`s previously disclosed dividend policy, BLT will only consider paying a dividend from the financial year commencing 1 June 2010.

Balance sheet

The group`s strong balance sheet is attributable to good trading results and stringent asset and treasury management.

The group is highly liquid and well positioned to support the funding of potential acquisitions without impairing its working capital requirements.

ASSETS

Intangible assets

Intangible assets are made up of a goodwill and intangibles relating to acquisitions as well as non-tangible assets acquired during the normal course of business.

The group is highly liquid and well positioned to support the funding of potential acquisitions without impairing its working capital requirements.

ASSETS

Intangible assets

Intangible assets are made up of a hybrid of goodwill and intangibles relating to acquisitions as well as non-tangible assets acquired during the normal course of business.

In terms of IFRS 3 pertaining to business combinations, the intangible elements comprising goodwill and intangibles in respect of acquisitions have to be determined and allocated. The group`s carrying value of these acquisitive intangible assets as at 31 May 2008 was R193 million.

The majority of these acquisitions emanated from the conversion of investments in previous associate companies to wholly owned subsidiaries as a result of the restructure of the group immediately prior to listing. The useful life of the majority of these assets (excluding goodwill) is five years, which will be amortised accordingly.

The goodwill element of intangibles was R266 million, relating to the acquisition of subsidiaries in respect of which the group was not transacting with minorities.

BLT has changed its accounting policy with regard to accounting for transactions with minorities. This differs from the group`s disclosure in its PLS. 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 of R899 million, arising on transactions with minorities is recognised against reserves on the balance sheet, as minority shareholders are treated as equity participants.

Investments in associates

The group`s investments in associates of R81 million represents the carrying value of its investment in Oxigen India. As at 31 May 2008, BLT held 35% of Oxigen which is included in the carrying value.

Restructuring reserve

The group`s restructuring reserve of R1.84 billion arose 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.

Cash flows

The negative cash flow generated from operating activities of R20 million is after applying funds to increase net working capital by R280 million to support of the continued growth of the group.

Cash flows from investing activities of R405 million relate to the acquisition of minorities on listing of an amount of R209 million, acquisitions post listing amounting to R140 million and the net movement in loans to associate companies amounting to R57 million.

Cash flows from financing activities of R662 million is due to the group`s successful listing resulting in the raising of cash totaling R1.3 billion. Of this sum approximately R600 million was utilised to repay the majority of the group`s interest bearing debt and R39 million for the payment of listing costs.

The group remained cash positive throughout the year with R1.3 billion on hand at year end.

Audit Opinion

The results for the financial year ended 31 May 2008 have been audited by the Company`s auditors, PricewaterhouseCoopers Incorporated, and the unqualified audit report is available for inspection at the company`s registered office.

Prospects

The group is financially sound. It is well positioned to grow its global transactional footprint and to roll-out its proven business model in emerging markets through both organic growth and strategic acquisitions. The group intends to diversify its product offerings and income streams, through, for example, the inclusion of revenues from advertising and money transfers.

The group will continue to grow the markets in which it operates with the introduction of innovative and varied prepaid and transactional products and services as well as lifestyle oriented products that promote convenience and accessibility. Key strategies aimed at enhancing the group`s share of total local prepaid average revenue`s per user have been identified.

The group`s proprietary technologies are constantly being improved and developed to ensure that the group has the competency and capacity to expand its transactional footprint and to roll-out its product offerings and services in emerging markets.

Corporate Governance

The Board and senior management of BLT subscribe to the governance principles of King II and are developing governance structures based on the recommendations and underlying principles of the King II Code of Corporate Practices and Conduct. The directors recognise the need to conduct the group`s business with integrity and according to sound corporate governance principles. During the first months of being a publicly listed entity certain of the key recommendations of King II have been implemented however the company continues to strive to be fully compliant with King II.

Annual General Meeting

BLT`s first annual general meeting (AGM) will be held in Johannesburg on Wednesday, 12 November 2008. Further details on BLT`s AGM will be included in BLT`s annual report to be posted to shareholders on/or about 13 October 2008.

Appreciation

The Board of BLT would like to thank BLT`s staff for their commitment and hard work over the period under review. The Board would also like to thank BLT`s many suppliers, customers, business partners, advisors and shareholders for their ongoing support during the year.

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 Ellerine*, GD Harlow*, RJ Huntley*, NN Lazarus*, JS Mthimunye*, MV Pamensky, DB Rivkind, HC Theledi*, LM Tyalimpi*, P Mansour*#

(*Non-Executive) (#American)
Company Secretary: E Viljoen
Blue Label Telecoms Limited
(Incorporated in the Republic of South Africa)
(Registration number 2006/022679/06)
JSE Share code: BLU   ISIN: ZAE000109088
('BLT' or 'the company')
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