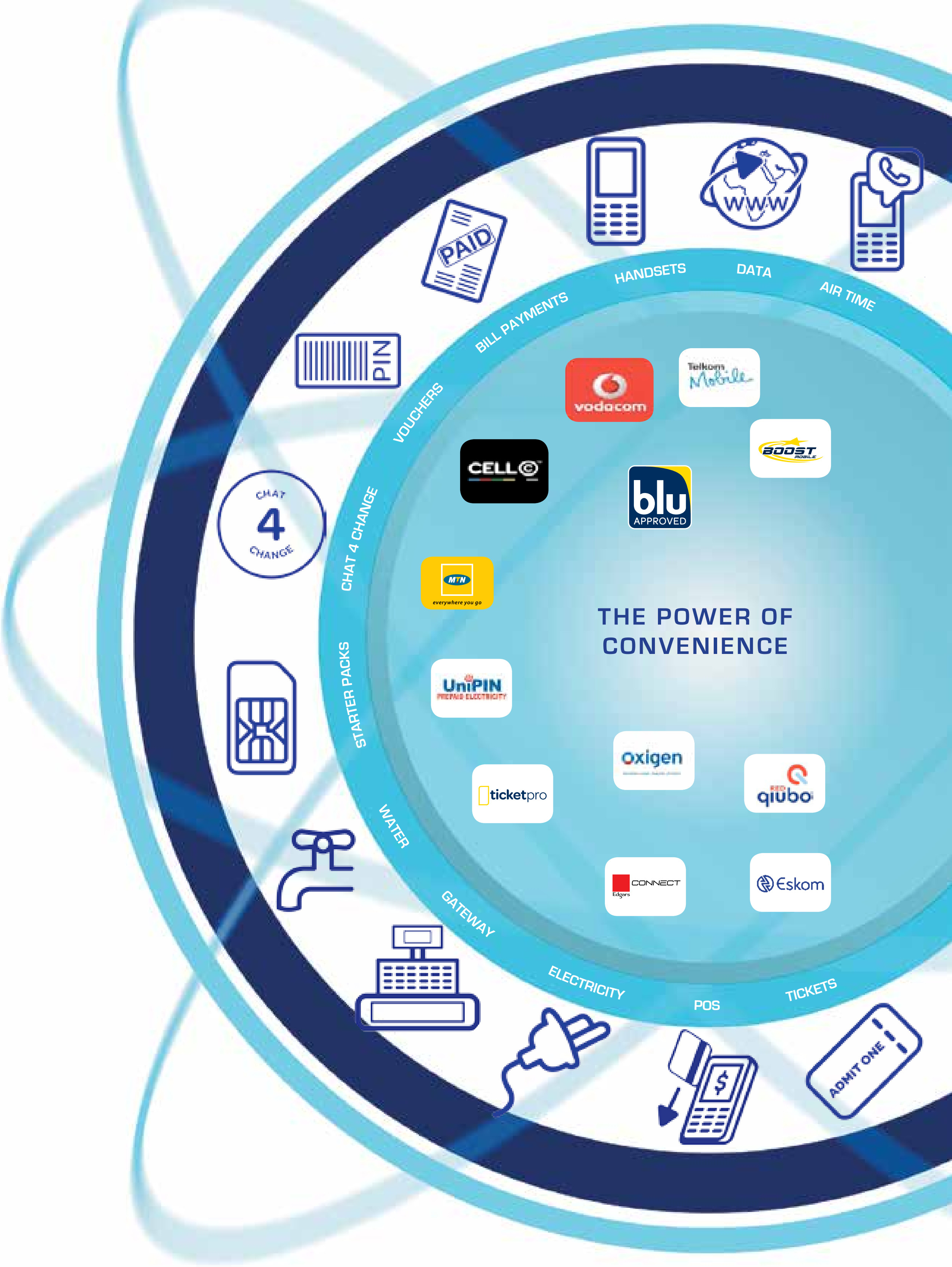

BLUE LABEL TELECOMS

UNAUDITED RESULTS FOR THE HALF YEAR ENDED 30 NOVEMBER 2016

Highlights

Increase
in revenue
of 3% to
R13.2 billion*

Increase
in gross profit
of 25% to
R1.1 billion

Increase
in EBITDA
of 15% to
R715 million

Increase
in earnings
per share
of 56% to
81.78 cents

Increase
in headline
earnings per
share of 54% to
81.78 cents

Increase
in core headline
earnings per
share of 52% to
82.86 cents

** On inclusion of the gross revenue generated on "PINless top-ups", revenue effectively increased by 9%.*

Commentary

OVERVIEW

Group earnings continued to escalate, comprising a hybrid of organic growth in local operations augmented by the impact of a fair value gain resulting from Oxigen Services India (Oxigen) being viewed as a venture capital investment.

South African distribution perpetuated its dominance in contribution to Group earnings, with its core headline earnings equating to a growth of 26%.

Although Blue Label Mexico (BLM) continued to incur losses, the Group's share thereof declined by 32%, from R32.5 million to R22.1 million.

Continued growth in market share contributed to the increase in Group revenue. This growth was confined to 3% in line with the continuous shift in consumer buying patterns from traditional purchasing of airtime to that of "PINless top-ups". Only the gross profit earned on the latter is accounted for in Group revenue as opposed to the gross amount generated from transactions of this nature. On imputing such revenue, the effective growth would have equated to 9%.

An improvement in gross profit margins from 7.13% to 8.64% resulted in gross profit escalating by R226 million (25%) to R1.14 billion.

After accounting for a negative turnaround in foreign exchange movements of R78 million and an increase in other overheads of R53 million, the resultant EBITDA increased by R95 million (15%) to R715 million.

The Group, through its wholly owned subsidiary, Gold Label Investments, holds an effective 58.18% interest in Oxigen. This investment has historically been accounted for as an investment in an associate, applying the equity method up to 30 November 2016.

The investment in Oxigen was initially of a long-term nature as it was expected to emulate the business model of the South African distribution operations. However, its profile has changed from that of the traditional Group business model to one of generating growth in the market value of the investment with a view to unlocking the Group's share thereof. With the advent of its change in focus to financial services through wallet subscription, it is no longer strategically aligned with the other business units of the Group and is unlikely to generate profitability in the short to medium term. However, the market value of the company is expected to increase in conjunction with its growth in wallet subscribers. This in turn creates the potential to unlock the investment value in the future and the Group is pursuing this new strategy with respect to its investment in Oxigen.

Accordingly, Oxigen is now viewed as a venture capital investment, which, in accordance with IAS 28 – *Investment in Associates and Joint Ventures* has been accounted for at fair value as at 30 November 2016. The differential between the carrying value of the investment and its fair value is reflected as a gain on associate measured at fair value.

The fair value gain of R264 million, less deferred taxation thereon of R9 million and the Group's share of losses for the period under review of R120 million, equated to a net increase of R135 million to Group earnings. On exclusion of this net increase, headline earnings would have amounted to R410 million and core headline earnings to R417 million, equating to 61.48 cents and 62.53 cents per share respectively. In both instances, effective growth per share would have equated to 15%.

Capital and reserves accumulated to R4.76 billion, net of accumulated dividends paid to date totalling R1.16 billion, further strengthening the Group's balance sheet. The net asset value increased by 15% to R6.96 per share.

SEGMENTAL REPORT

South African distribution

	November 2016 Unaudited R'000	November 2015 Unaudited R'000	Growth R'000	% Growth	**May 2016 Audited R'000**
Revenue	**12 996 799**	12 634 322	362 477	3%	**25 722 540**
Gross profit	**1 018 359**	795 245	223 114	28%	**1 582 743**
EBITDA	**746 126**	577 586	168 540	29%	**1 133 433**
Core net profit	**491 334**	391 138	100 196	26%	**750 951**
Core headline earnings	**491 336**	391 013	100 323	26%	**751 086**
Gross profit margin	**7.84%**	6.29%			**6.15%**
EBITDA margin	**5.74%**	4.57%			**4.41%**

Growth in revenue of 3% was organically achieved through the expansion of its distribution channels. Revenue generated on "PINless top-ups" increased by R935 million from R1.8 billion to R2.8 billion, equating to effective growth in South African distribution revenue of 9%, in that only the commission earned thereon is recognised.

Net commissions earned on the distribution of prepaid electricity continued to increase, escalating by R8 million to R103 million on turnover of R6.9 billion generated on behalf of the utilities.

Gross profit margins improved from 6.29% to 7.84%, resulting in an increase in gross profit of R223 million (28%) from R795 million to R1.0 billion. The improvement in margins was attributable to a hybrid of additional discounts received on early settlement payments and compounded annuity revenue. The increase in gross profit was partially negated by additional net finance costs, congruent with applying excess funds and facilities on a piecemeal basis to early settlement discounts.

The resultant growth in EBITDA of 29% to R746 million equated to an EBITDA margin of 5.74%.

Contribution to Group core headline earnings increased by R100 million (26%) to R491 million.

Commentary (continued)

International

	November 2016 Unaudited R'000	November 2015 Unaudited R'000	Growth R'000	% Growth	May 2016 Audited R'000
EBITDA	**(22 175)**	23 595	(45 770)	(194%)	**44 152**
Gain on associate measured at fair value	**264 204**	–	264 204		**–**
Share of (losses)/profits from associates and joint ventures	**(146 422)**	(33 659)	(112 763)	(335%)	**(70 283)**
– Oxigen Services India	**(119 831)**	2 813	(122 644)	(4 360%)	**(27 672)**
– Blue Label Mexico	**(22 122)**	(32 499)	10 377	32%	**(63 293)**
– 2DFine Holdings Mauritius	**(5 832)**	(4 605)	(1 227)	(27%)	**19 734**
– Mpower	**1 363**	632	731	116%	**948**
Core net profit/(loss)	**97 060**	(11 825)	108 885	921%	**(29 352)**
Core headline earnings	**97 060**	(11 825)	108 885	921%	**(59 327)**

The decline in EBITDA of R46 million related to a negative turnaround in foreign exchange movements.

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

Oxigen Services India

The financial performance of Oxigen for the six months ended November 2016 was equity accounted for, of which the Group's share of losses amounted to R120 million. The major portion of these losses was attributable to substantial expenditure incurred on the marketing of the brand and the acquisition of wallets.

Total wallet subscribers accumulated to 25.6 million as at 30 November 2016. This quantum is expected to increase in perpetuity and in turn increase the value of Oxigen. The expenditure incurred on the creation of additional wallets was congruent with the decision that has been made to focus on the value creation of a compounding wallet subscriber base as opposed to the revenue generated thereon.

Oxigen has consequently been accounted for as a venture capital investment with effect from the 30 November 2016. The differential between the carrying value of the investment and its fair value amounted to R264 million and has been accounted for in the condensed Group statement of comprehensive income as a gain on associate measured at fair value. The fair value gain of R264 million, less deferred taxation thereon of R9 million and the Group's share of losses for the period under review of R120 million, equated to a net increase of R135 million to headline earnings.

Going forward, losses incurred by Oxigen will have no impact on Group earnings. The investment therein will be measured at fair value.

Blue Label Mexico

BLM's losses declined from R67.4 million to R44.7 million, of which the Group's share was R22.1 million after the amortisation of intangible assets. In the comparative period, the Group's share of losses amounted to R32.5 million.

The decline in losses was achieved in spite of a reduction in revenue by 28%. This decline was caused by intense competition among carriers, resulting in lower tariffs payable by the end user. It is anticipated that pricing will stabilise and increase in the near future.

The decline in revenue was compensated for by an increase in gross profit of R15.1 million (46%), underpinned by higher gross profit margins.

The increase in gross profit was primarily attributable to BLM becoming a multicarrier distributor as opposed to historically being confined to one network. This has created a more competitive environment among the networks to the benefit of the company.

Focus on cost efficiencies resulted in decreases in operational expenditure by 14%. While the resultant EBITDA remained negative, it declined by R20.4 million (50%).

The distribution of starter packs now generates monthly compounded annuity income. Bill payments, credit and debit card acquiring, food vouchers and compounding annuity revenue emanating from starter pack distribution, are perpetually increasing, which, together with improved margins and expense containment should result in a further decline in losses for the balance of the financial year.

Mobile

	November 2016 Unaudited R'000	November 2015 Unaudited R'000	Growth R'000	% Growth	May 2016 Audited R'000
Revenue	**148 651**	137 730	10 921	8%	**291 856**
Gross profit	**97 409**	85 520	11 889	14%	**182 533**
EBITDA	**46 765**	39 441	7 324	19%	**111 142**
Core net profit	**25 468**	20 916	4 552	22%	**64 273**
Core headline earnings	**25 438**	20 915	4 523	22%	**65 333**

The mobile segment comprises Viamedia, Supa Pesa, Blue Label One, Cellfind, Panacea and Simigenix.

The growth in revenue at improved margins and containment of overheads resulted in this segment achieving a growth in EBITDA of 19%. Its contribution to core headline earnings increased by 22% to R25 million.

Solutions

	November 2016 Unaudited R'000	November 2015 Unaudited R'000	Growth R'000	% Growth	May 2016 Audited R'000
Revenue	**100 063**	103 222	(3 159)	(3%)	**190 326**
Gross profit	**28 931**	37 872	(8 941)	(24%)	**64 418**
EBITDA	**19 366**	18 975	391	2%	**35 889**
Core net profit	**11 345**	6 808	4 537	67%	**16 116**
Core headline earnings	**11 345**	12 262	(917)	(7%)	**21 564**

In October 2015 Velociti was disposed of at a loss of R5.4 million. On exclusion of this capital loss from core net profit in the prior period, core headline earnings in the remaining entities declined by R0.9 million.

On exclusion of Velociti's historical contribution, revenue generated by the remaining entities, dominated by Blue Label Data Solutions, increased by 36%. However, margin compression resulted in static growth in gross profit, which, together with an increase in overheads, resulted in the decline in core headline earnings.

Corporate

	November 2016 Unaudited R'000	November 2015 Unaudited R'000	Growth R'000	% Growth	May 2016 Audited R'000
EBITDA	**(74 873)**	(39 360)	(35 513)	(90%)	**(84 057)**
Core net loss	**(72 799)**	(48 899)	(23 900)	(49%)	**(93 748)**
Core headline loss	**(72 754)**	(48 899)	(23 855)	(49%)	**(93 745)**

Of the decline in EBITDA of R36 million, R30 million pertained to a negative turnaround in foreign exchange movements and R6 million to professional fees incurred relating to potential acquisitions.

Its negative contribution to Group core headline earnings increased by R24 million to R73 million.

DEPRECIATION, AMORTISATION AND IMPAIRMENT CHARGES

Depreciation, amortisation and impairment charges increased by R8 million to R55 million. Of this amount, R9.1 million pertained to the amortisation of intangible assets resulting from purchase price allocations from historical acquisitions compared to R10.4 million in the comparative period.

NET FINANCE COSTS

Finance costs

Finance costs totalled R142 million, of which R66 million related to interest paid on borrowed funds and R76 million to imputed IFRS interest adjustments on credit received from suppliers. On a comparative basis, interest paid on borrowed funds amounted to R12 million and the imputed IFRS interest adjustment equated to R87 million.

The increase of R54 million on interest paid on borrowed funds was mainly due to the perpetuation of applying excess funds to bulk inventory purchase transactions and early settlement payments attracting favourable discounts. Finance facilities were utilised on a piecemeal basis for this purpose, and repaid during the current period. The additional finance costs were more than compensated for by the growth in gross profit and gross profit margins.

Finance income

Finance income totalled R118 million, of which R38 million was attributable to interest received on cash resources and R80 million to imputed IFRS interest adjustments on credit afforded to customers. On a comparative basis, interest received on cash resources amounted to R28 million and the imputed IFRS interest adjustment to R68 million.

The increase in interest received from cash resources was mainly attributable to growth in revenue, partially offset by the utilisation of funds for financing and investing activities.

STATEMENT OF FINANCIAL POSITION

Total assets increased by R968 million to R8.3 billion. Non-current assets increased by R106 million, and current assets by R862 million.

The movement in non-current assets included increases in investments in associate and joint venture companies of R33 million, in capital expenditure net of depreciation of R14 million, in loans receivable of R77 million and R8 million in trade receivables relating to postpaid contracts in excess of 12 months. These increases were partially offset by a decrease in intangible assets of R26 million.

The net increase of R33 million in investment in associate and joint venture companies comprised the R264 million gain on Oxigen measured at fair value, the acquisition of Utilities World for R12 million, interest capitalised on loans of R13 million and loans granted of R5 million. These increases were partially offset by the Group's share of losses therein, totalling R148 million inclusive of the amortisation of applicable intangible assets, a negative impact on foreign currency translation reserves of R82 million, and unrealised foreign exchange losses on loans of R31 million.

The net decline of R26 million in intangible assets mainly pertained to the amortisation of intangibles by R72 million, offset by R46 million expended on the purchase of computer software, internally generated software development costs and starter pack bases.

Of the increase in current assets, material movements related to increases in inventories of R383 million, loans receivable of R5 million, cash resources of R243 million and trade receivables of R220 million.

The stock turn equated to 31 days compared to 25 days for the financial year ended 31 May 2016. Bulk inventory purchase opportunities at favourable discount rates validated the consequent increase in inventory. The nature of the business enables it to reduce its inventory holdings within the above number of days at any given time.

The debtor's collection period increased to 40 days compared to 38 days for the financial year ended 31 May 2016.

Net profit attributable to equity holders of R545 million, less a dividend of R243 million, resulted in retained earnings accumulating to R3.4 billion.

Trade and other payables increased by R722 million, with average credit terms increasing to 51 days compared to 40 days for the financial year ended 31 May 2016.

STATEMENT OF CASH FLOWS

Cash flows generated from operating activities amounted to R709 million, predominately attributable to increased trading activity, net of working capital requirements.

Cash flows applied to investing activities amounted to R207 million. Of this amount, R46 million related to the purchase of intangible assets, R79 million to net loans granted, R37 million to capital expenditure, R49 million to earn outs relating to prior acquisitions and R7.5 million to the acquisition of Utilities World. These outflows were partially offset by R1.5 million from the sale of fixed assets and R10 million from a contingent consideration received emanating from the sale of Ukash.

After applying R7 million to the acquisition of treasury shares and a dividend payment of R249 million to shareholders and non-controlling interests, cash on hand at year-end amounted to R832 million.

FORFEITABLE SHARE SCHEME

Forfeitable shares totalling 1 386 327 (2015: 2 583 819) were issued to qualifying employees. During the period nil (2015: 530 375) shares were forfeited and 2 141 673 (2015: 2 915 266) shares vested.

SUBSEQUENT EVENTS

A binding umbrella restructure agreement has been entered into between Blue Label, Cell C, debt providers of Cell C, a third-party investor and other relevant parties, in terms of which the maximum net borrowings of Cell C will be reduced to approximately R6,0 billion. The third-party investor is to subscribe for 15% of the share capital of Cell C and Blue Label's subscription for 45% of the share capital of Cell C remains unchanged.

The binding restructure agreement is subject to the conclusion of the relevant transaction agreements by no later than 30 June 2017.

PROSPECTS

The Board remains positive with regard to the investment in Cell C and other commercial benefits that will flow therefrom.

The demand for low-cost smart phones and tablets is expected to accelerate and in turn enhance revenue and profitability.

The financing of the mobile device element of postpaid contracts as well as that of providing short-term finance for emergency top-ups are initiatives that are currently under consideration.

Losses in BLM are expected to continue to decline with the advent of sustainable improved gross profit margins and increased annuity revenue generated from starter packs.

A "Big Data" programme has consolidated and aggregated transactions across various divisions within the Group which will create the opportunity to upsell and cross-sell the bouquet of various products and services that Blue Label has to offer through their distribution channels.

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
Join Chief Executive Officers

DA Suntup* CA(SA)
Financial Director

27 February 2017

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

Condensed Group statement of financial position

As at	30 November 2016 Unaudited R'000	30 November 2015 Unaudited R'000	31 May 2016 Audited R'000
ASSETS			
Non-current assets	**2 380 693**	2 105 946	**2 275 161**
Property, plant and equipment	**114 296**	115 077	**100 434**
Intangible assets	**572 268**	636 157	**598 333**
Goodwill	**604 590**	603 440	**603 440**
Investments in and loans to associates and joint ventures	**943 475**	668 754	**910 567**
Loans receivable	**83 396**	2 300	**5 910**
Starter pack assets	**6 746**	7 488	**6 099**
Trade and other receivables	**36 845**	52 324	**29 166**
Deferred taxation assets	**19 077**	20 406	**21 212**
Current assets	**5 892 908**	5 511 932	**5 030 790**
Inventories	**2 042 354**	1 268 300	**1 658 860**
Loans receivable	**103 699**	69 529	**98 217**
Starter pack assets	**1 722**	1 872	**1 576**
Trade and other receivables	**2 899 293**	2 684 170	**2 679 023**
Current tax assets	**13 975**	5 320	**4 087**
Cash and cash equivalents	**831 865**	1 482 741	**589 027**
Total assets	**8 273 601**	7 617 878	**7 305 951**
EQUITY AND LIABILITIES			
Capital and reserves	**4 756 212**	4 095 105	**4 519 567**
Share capital, share premium and treasury shares	**3 953 872**	3 942 513	**3 942 512**
Restructuring reserve	**(1 843 912)**	(1 843 912)	**(1 843 912)**
Other reserves	**106 998**	140 476	**187 605**
Equity compensation benefit reserve	**34 613**	30 736	**42 039**
Transactions with non-controlling interest reserve	**(965 861)**	(965 861)	**(965 861)**
Retained earnings	**3 407 395**	2 762 632	**3 105 050**
	4 693 105	4 066 584	**4 467 433**
Non-controlling interest	**63 107**	28 521	**52 134**
Non-current liabilities	**100 022**	147 070	**102 954**
Deferred taxation liabilities	**77 000**	68 221	**62 141**
Trade and other payables	**23 022**	78 849	**40 813**
Current liabilities	**3 417 367**	3 375 703	**2 683 430**
Trade and other payables	**3 341 114**	3 309 049	**2 601 807**
Provisions	**32 459**	15 826	**24 928**
Current tax liabilities	**25 769**	33 112	**40 608**
Borrowings	**18 025**	17 716	**16 087**
Total equity and liabilities	**8 273 601**	7 617 878	**7 305 951**

Condensed Group statement of comprehensive income

	Six months ended 30 November 2016 Unaudited R'000	Six months ended 30 November 2015 Unaudited R'000	Year ended 31 May 2016 Audited R'000
Revenue	**13 245 513**	12 875 274	**26 204 722**
Other income	**2 861**	42 960	**126 294**
Changes in inventories of finished goods	**(12 100 814)**	(11 956 637)	**(24 375 028)**
Employee compensation and benefit expense	**(210 487)**	(202 553)	**(427 116)**
Depreciation, amortisation and impairment charges	**(55 435)**	(47 083)	**(98 183)**
Other expenses	**(221 864)**	(138 807)	**(288 313)**
Operating profit	**659 774**	573 154	**1 142 376**
Finance costs	**(141 680)**	(98 834)	**(214 110)**
Finance income	**118 307**	95 824	**193 899**
Gain on associate measured at fair value	**264 204**	–	**–**
Share of losses from associates and joint ventures	**(147 577)**	(33 713)	**(71 770)**
Net profit for the period before taxation	**753 028**	536 431	**1 050 395**
Taxation	**(189 064)**	(169 694)	**(318 783)**
Net profit for the period	**563 964**	366 737	**731 612**
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Share of other comprehensive (loss)/income of associates and joint ventures	**(81 844)**	33 513	**81 544**
Foreign exchange loss on translation of foreign operations	**(35)**	(54)	**(15)**
Other comprehensive income/(loss) for the period, net of tax	**(81 879)**	33 459	**81 529**
Total comprehensive income for the period	**482 085**	400 196	**813 141**
Net profit for the period attributable to:	**563 964**	366 737	**731 612**
Equity holders of the parent	**545 168**	349 172	**691 590**
Non-controlling interest	**18 796**	17 565	**40 022**
Total comprehensive income for the period attributable to:	**482 085**	400 196	**813 141**
Equity holders of the parent	**464 561**	381 105	**770 652**
Non-controlling interest	**17 524**	19 091	**42 489**

Share performance

	Six months ended 30 November 2016 Unaudited	Six months ended 30 November 2015 Unaudited	Year ended 31 May 2016 Audited
Earnings per share for profit attributable to equity holders			
Basic earnings per share (cents)	**81.78**	52.46	**103.85**
Diluted earnings per share (cents)*	**81.12**	51.92	**102.84**
Weighted average number of shares	**666 664 546**	665 657 319	**665 950 277**
Diluted weighted average number of shares	**672 076 754**	672 569 839	**672 520 023**
Number of shares in issue	**674 509 042**	674 509 042	**674 509 042**
Share performance			
Headline earnings per share (cents)	**81.78**	53.26	**100.35**
Diluted headline earnings per share (cents)*	**81.12**	52.71	**99.37**
Dividend per share (cents)	**36.00**	31.00	**31.00**
Reconciliation between net profit and core headline earnings for the period			
Net profit for the period attributable to equity holders of the parent	**545 168**	349 172	**691 590**
Amortisation on intangible assets raised through business combinations net of tax and net of non-controlling interest	**7 240**	8 966	**16 650**
Core net profit for the period	**552 408**	358 138	**708 240**
Headline earnings adjustments	**17**	5 328	**(23 329)**
Core headline earnings	**552 425**	363 466	**684 911**
Core headline earnings per share (cents)**	**82.86**	54.60	**102.85**

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

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

Condensed Group statement of cash flows

	Six months ended 30 November 2016 Unaudited R'000	Six months ended 30 November 2015 Unaudited R'000	Year ended 31 May 2016 Audited R'000
Cash generated by operations	**945 583**	1 241 467	**744 185**
Interest received	**25 693**	17 460	**42 082**
Interest paid	**(65 819)**	(11 716)	**(48 207)**
Taxation paid	**(196 074)**	(157 779)	**(305 118)**
Net cash generated from operating activities	**709 383**	1 089 432	**432 942**
Cash flows from investing activities			
Acquisition of intangible assets and property, plant and equipment	**(83 530)**	(84 782)	**(127 131)**
Acquisition of subsidiaries net of cash acquired	**771**	–	**–**
Acquisition of associate	**(7 530)**	–	**–**
Disposal of subsidiary net of cash disposed	**–**	13 219	**13 219**
Capital contribution to Blue Label Mexico	**–**	(42 654)	**(42 654)**
Capital contribution to Oxigen Services India	**–**	–	**(159 425)**
Loan granted to Lornanox	**(1 758)**	(32 000)	**(58 883)**
Loans granted	**(73 889)**	(11 390)	**(27 306)**
Loans granted to associates	**(3 401)**	–	**(1 620)**
Settlement of contingent consideration	**(49 109)**	(1 631)	**(1 931)**
Other investing activities	**11 544**	2 774	**9 398**
Net cash utilised in investing activities	**(206 902)**	(156 464)	**(396 333)**
Cash flows from financing activities			
Acquisition of treasury shares	**(7 381)**	(23 052)	**(23 052)**
Dividends paid to non-controlling interest	**(6 600)**	(4 000)	**(4 000)**
Dividends paid to equity holders of the parent	**(242 823)**	(209 098)	**(209 098)**
Other financing activities	**(2 803)**	–	**–**
Net cash utilised in financing activities	**(259 607)**	(236 150)	**(236 150)**
Net increase/(decrease) in cash and cash equivalents	**242 874**	696 818	**(199 541)**
Cash and cash equivalents at the beginning of the year	**589 027**	788 411	**788 411**
Exchange gains on cash and cash equivalents	**(36)**	(2 488)	**157**
Cash and cash equivalents at the end of the period	**831 865**	1 482 741	**589 027**

Condensed Group statement of changes in equity

Six months ended	Share capital, share premium and treasury shares Unaudited R'000	Retained earnings Unaudited R'000
Balance as at 1 June 2016	**3 942 512**	**3 105 050**
Net profit for the period	**–**	**545 168**
Other comprehensive income	**–**	**–**
Total comprehensive income	**–**	**545 168**
Dividends paid	**–**	**(242 823)**
Treasury shares purchased	**(7 381)**	**–**
Non-controlling interest acquired	**–**	**–**
Equity compensation benefit scheme shares vested	**18 741**	**–**
Equity compensation benefit movement	**–**	**–**
Balance as at 30 November 2016	**3 953 872**	**3 407 395**
Balance as at 1 June 2015	3 943 888	2 622 558
Net profit for the period	–	349 172
Other comprehensive income	–	–
Total comprehensive income	–	349 172
Dividends paid	–	(209 098)
Treasury shares purchased	(23 052)	–
Equity compensation benefit scheme shares vested	21 677	–
Equity compensation benefit movement	–	–
Balance as at 30 November 2015	3 942 513	2 762 632
Year ended	**Audited R'000**	**Audited R'000**
Balance as at 1 June 2015	3 943 888	2 622 558
Net profit for the year	–	691 590
Other comprehensive income	–	–
Total comprehensive income	–	691 590
Dividends paid	–	(209 098)
Treasury shares purchased	(23 052)	–
Equity compensation benefit scheme shares vested	21 676	–
Equity compensation benefit movement	–	–
Share of equity movement in associates	–	–
Balance as at 31 May 2016	3 942 512	3 105 050

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

Restructuring reserve Unaudited R'000	Other reserves* Unaudited R'000	Transactions with non-controlling interest reserve Unaudited R'000	Equity compensation benefit reserve Unaudited R'000	Non-controlling interest Unaudited R'000	Total equity Unaudited R'000
(1 843 912)	**187 605**	**(965 861)**	**42 039**	**52 134**	**4 519 567**
–	**–**	**–**	**–**	**18 796**	**563 964**
–	**(80 607)**	**–**	**–**	**(1 272)**	**(81 879)**
–	**(80 607)**	**–**	**–**	**17 524**	**482 085**
–	**–**	**–**	**–**	**(6 600)**	**(249 423)**
–	**–**	**–**	**–**	**–**	**(7 381)**
–	**–**	**–**	**–**	**65**	**65**
–	**–**	**–**	**(18 486)**	**(255)**	**–**
–	**–**	**–**	**11 060**	**239**	**11 299**
(1 843 912)	**106 998**	**(965 861)**	**34 613**	**63 107**	**4 756 212**

(1 843 912)	108 543	(965 861)	39 297	13 468	3 917 981
–	–	–	–	17 565	366 737
–	31 933	–	–	1 526	33 459
–	31 933	–	–	19 091	400 196
–	–	–	–	(4 000)	(213 098)
–	–	–	–	–	(23 052)
–	–	–	(21 639)	(38)	–
–	–	–	13 078	–	13 078
(1 843 912)	140 476	(965 861)	30 736	28 521	4 095 105

Audited R'000	Audited R'000	Audited R'000	Audited R'000	Audited R'000	Audited R'000
(1 843 912)	108 543	(965 861)	39 297	13 468	3 917 981
–	–	–	–	40 022	731 612
–	79 062	–	–	2 467	81 529
–	79 062	–	–	42 489	813 141
–	–	–	–	(4 000)	(213 098)
–	–	–	–	–	(23 052)
–	–	–	(21 429)	(247)	–
–	–	–	23 421	424	23 845
–	–	–	750	–	750
(1 843 912)	187 605	(965 861)	42 039	52 134	4 519 567

Segmental summary

Six months ended 30 November 2016	Total Unaudited R'000	South African distribution Unaudited R'000
Total segment revenue	**16 415 810**	**16 159 238**
Internal revenue	**(3 170 297)**	**(3 162 439)**
Revenue	**13 245 513**	**12 996 799**
Operating profit/(loss) before depreciation, amortisation and impairment charges	**715 209**	**746 126**
Net profit/(loss) for the period attributable to equity holders of the parent	**545 168**	**486 520**
Amortisation on intangibles raised through business combinations net of tax and non-controlling interest	**7 240**	**4 814**
Headline earnings adjustments net of non-controlling interest	**17**	**2**
Core headline earnings for the period attributable to equity holders of the parent	**552 425**	**491 336**
At 30 November 2016		
Total assets	**8 273 601**	**6 662 879**
Net operating assets/(liabilities)	**2 475 541**	**2 388 351**
Six months ended 30 November 2015		
Total segment revenue	16 004 672	15 749 428
Internal revenue	(3 129 398)	(3 115 106)
Revenue	12 875 274	12 634 322
Operating profit/(loss) before depreciation, amortisation and impairment charges	620 237	577 586
Net profit/(loss) for the period attributable to equity holders of the parent	349 172	385 355
Amortisation on intangibles raised through business combinations net of tax and non-controlling interest	8 966	5 783
Headline earnings adjustments net of non-controlling interest	5 328	(125)
Core headline earnings for the period attributable to equity holders of the parent	363 466	391 013
At 30 November 2015		
Total assets	7 617 878	6 306 524
Net operating assets/(liabilities)	2 136 229	2 188 937

Year ended 31 May 2016	Audited R'000	Audited R'000
Total segment revenue	32 439 100	31 934 736
Internal revenue	(6 234 378)	(6 212 196)
Revenue	26 204 722	25 722 540
Operating profit/(loss) before depreciation, amortisation and impairment charges	1 240 559	1 133 433
Net profit/(loss) for the year attributable to equity holders of the parent	691 590	739 588
Amortisation on intangibles raised through business combinations net of tax and non-controlling interest	16 650	11 363
Headline earnings adjustments net of non-controlling interest	(23 329)	135
Core headline earnings for the year attributable to equity holders of the parent	684 911	751 086
At 31 May 2016		
Total assets	7 305 951	5 787 731
Net operating assets/(liabilities)	2 347 360	2 341 780

International Unaudited R'000	Mobile Unaudited R'000	Solutions Unaudited R'000	Corporate Unaudited R'000
–	**156 433**	**100 139**	**–**
–	**(7 782)**	**(76)**	**–**
–	**148 651**	**100 063**	**–**
(22 175)	**46 765**	**19 366**	**(74 873)**
95 957	**24 145**	**11 345**	**(72 799)**
1 103	**1 323**	**–**	**–**
–	**(30)**	**–**	**45**
97 060	**25 438**	**11 345**	**(72 754)**
818 199	**612 650**	**127 587**	**52 286**
(10 968)	**102 357**	**32 989**	**(37 188)**
–	146 220	109 024	–
–	(8 490)	(5 802)	–
–	137 730	103 222	–
23 595	39 441	18 975	(39 360)
(13 685)	19 593	6 808	(48 899)
1 860	1 323	–	–
–	(1)	5 454	–
(11 825)	20 915	12 262	(48 899)
561 975	504 004	154 861	90 514
(9 234)	38 803	53 426	(135 703)
Audited R'000	**Audited R'000**	**Audited R'000**	**Audited R'000**
–	307 661	196 703	–
–	(15 805)	(6 377)	–
–	291 856	190 326	–
44 152	111 142	35 889	(84 057)
(31 993)	61 627	16 116	(93 748)
2 641	2 646	–	–
(29 975)	1 060	5 448	3
(59 327)	65 333	21 564	(93 745)
809 096	543 561	137 061	28 502
1 872	40 423	37 376	(74 091)

Headline earnings

	Six months ended 30 November 2016 Unaudited R'000	Six months ended 30 November 2015 Unaudited R'000	Year ended 31 May 2016 Audited R'000
Profit attributable to equity holders of the parent	**545 168**	349 172	**691 590**
Net loss/(profit) on disposal of property, plant and equipment	**17**	(136)	**(360)**
Loss on disposal of intangible assets	**–**	–	**3**
Loss on disposal of subsidiary	**–**	5 454	**5 454**
Profit on dilution of joint venture	**–**	–	**(29 975)**
Impairment of intangible assets and property, plant and equipment	**–**	10	**1 549**
Headline earnings	**545 185**	354 500	**668 261**
Headline earnings per share (cents)	**81.78**	53.26	**100.35**

Financial instruments

Contingent considerations, included in trade and other payables, are level 3 financial liabilities.

Changes in level 3 instruments are as follows:

	Six months ended 30 November 2016 Unaudited R'000	Six months ended 30 November 2015 Unaudited R'000	Year ended 31 May 2016 Audited R'000
Contingent consideration			
Opening balance	**83 563**	123 902	**123 902**
Acquisition of Reware Proprietary Limited	**1 150**	–	**–**
Acquisition of Utilities World Proprietary Limited	**4 516**	–	**–**
Settlements	**(49 109)**	(1 631)	**(1 931)**
Gains and losses recognised in profit or loss	**2 271**	3 931	**(38 408)**
Closing balance	**42 391**	126 202	**83 563**
Total gains or losses for the period included in profit or loss for liabilities held at the end of the reporting period, under:			
Other income	**–**	–	**(48 120)**
Finance costs	**2 271**	3 931	**9 712**
Change in unrealised gains or losses for the period included in profit or loss for liabilities held at the end of the reporting period	**2 003**	655	**9 127**

The fair value of the contingent consideration is estimated by applying the income approach. The fair value is based on the discount rates applicable to the Group and management's probability assumptions on certain warranties being achieved. There have been no changes in management's probability assumptions. The discount rate has been increased in line with the increase in the prime lending rate. The resulting changes in the fair values are accounted for in finance costs in the statement of comprehensive income.

The investment in Oxigen Services India Private Limited, viewed as a venture capital investment and accounted for at fair value, is a level 3 instrument. Refer to "Investments in and loans to associates and joint ventures".

The Group has not disclosed the fair values of all financial instruments measured at amortised cost, as their carrying amounts closely approximate their fair values.

Investments in and loans to associates and joint ventures

	Six months ended 30 November 2016 Unaudited R'000	Six months ended 30 November 2015 Unaudited R'000	Year ended 31 May 2016 Audited R'000
Equity-accounted associates and joint ventures	**196 449**	383 940	**628 371**
Venture capital associate	**412 800**	–	**–**
Loans to associates and joint ventures	**334 226**	284 814	**282 196**
	943 475	668 754	**910 567**

The Group, through its wholly-owned subsidiary, Gold Label Investments, holds an effective 58.18% interest in Oxigen. This investment has historically been accounted for as an investment in an associate applying the equity method up to 30 November 2016.

The investment in Oxigen was initially of a long-term nature as it was expected to emulate the business model of the South African distribution operations. However, its profile has changed from that of the traditional Group business to one of generating growth in the market value of the investment with a view to unlocking the Group's share thereof. With the advent of its change in focus to financial services through wallet subscription, it is no longer strategically aligned with the other business units of the Group and is unlikely to generate profitability in the short to medium term. However, the market value of the company is expected to increase exponentially in conjunction with its growth in wallet subscribers. This in turn creates the potential to unlock the investment value in the future and the Group is pursuing this new strategy with respect to its investment in Oxigen.

Accordingly, Oxigen is now viewed as a venture capital investment, which in accordance with IAS 28 – *Investment in Associates and Joint Ventures* has been accounted for at fair value as at 30 November 2016. The differential between the carrying value of the investment and its fair value is reflected as a gain on associate measured at fair value in the condensed Group statement of comprehensive income.

The fair value is determined by an independent third party using the discounted cash flow model which takes into account the current and projected performance of Oxigen. These calculations use cash flow projections based on financial budgets approved by the board of directors for the forthcoming year and forecasts for ten years which are based on assumptions of the business, industry and economic growth. Cash flows beyond this period are extrapolated using terminal growth rates, which do not exceed the expected long-term economic growth rate. The discount rate and terminal growth rate used in calculating the fair value are 23% and 5% respectively.

The following table illustrates the sensitivity analysis to the fair value of the investment in Oxigen should there be any movements to the material unobservable inputs.

Unobservable inputs	**Change to inputs %**	**Movement in fair value R'000**
Discount rate	+0.5	(50 812)
	-0.5	53 906
Terminal growth rate	+1	38 674
	-1	(34 509)
Customer acquisition and engagement spend	+1	40 745
	-1	(39 459)
Capital expenditure	+1	48 717
	-1	(47 408)

Significant related party transactions

	Six months ended 30 November 2016 Unaudited R'000	Six months ended 30 November 2015 Unaudited R'000	Year ended 31 May 2016 Audited R'000
Purchases from related parties			
ZOK Cellular Proprietary Limited	**–**	34 941	**26 001**
Loans to related parties			
2DFine Holdings Mauritius	**218 890**	203 865	**234 892**
Lornanox Proprietary Limited trading as Edgars Connect	**69 418**	38 000	**65 949**
Oxigen Services India Private Limited	**36 025**	35 049	**38 359**
Stylco Proprietary Limited	**20 000**	–	**26 000**
ZOK Cellular Proprietary Limited	**28 934**	3 260	**20 881**

Basis of preparation

The condensed unaudited consolidated interim financial statements have been prepared in accordance with the requirements of section 8.57 of the JSE Limited Listings Requirements, the presentation and disclosure requirements of IAS 34 – *Interim Financial Reporting* and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. The condensed unaudited consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, No 71 of 2008.

These condensed unaudited consolidated interim financial statements have been prepared in accordance with the going concern principle, under the historical cost convention. The condensed unaudited consolidated interim report does not include all the disclosures required for complete annual financial statements prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB). The accounting policies used in preparing the condensed unaudited consolidated interim report are consistent with those applied in the previous annual financial statements.

We aim to provide stakeholders with the same additional information that management uses to evaluate the performance of the Group's operations. Accordingly, we make reference to operating profit before depreciation, amortisation and impairment charges (EBITDA). In addition, the Group applies core net profit and core headline earnings as a non-IFRS measures in evaluating the Group's performance. This supplements the IFRS measures. Core net profit is calculated by adjusting net profit for the year with the amortisation of intangible assets that arise as a consequence of the purchase price allocations completed in terms of IFRS 3(R) – *Business Combinations*. Core headline earnings are calculated by adjusting core net profit with the headline earnings adjustments required by SAICA circular 2/2015.

The results have not been reviewed or audited for the period ended 30 November 2016.

Directors: LM Nestadt (Chairman)*, BM Levy, MS Levy, K Ellerine**, GD Harlow*, P Mahanyele* (appointed 1 September 2016), Y Mahomed* (resigned 11 January 2017), JS Mthimunye*, DA Suntup, J Vilakazi*
(*Independent non-executive) (**Non-executive)

Company Secretary: J van Eden

Sponsor: Investec Bank Limited

Auditors: PricewaterhouseCoopers Inc.

American Depository Receipt (ADR) Programme:

Cusip No.: 095648101 Ticker name: BULBY ADR to ordinary share: 1:10

Depository: BNY Mellon, 101 Barclay Street, New York NY, 10286, USA

Blue Label Telecoms Limited

(Incorporated in the Republic of South Africa)

(Registration number 2006/022679/06)

JSE Share code: BLU

ISIN: ZAE000109088

("Blue Label" or "BLT" or "the Company" or "the Group")

BASTION GRAPHICS