BLUE LABEL
TELECOMS

# Unaudited Results
## for the half year ended 30 November 2015

**Increase** in revenue of 25% to **R12.9 billion**

**Increase** in gross profit of 17% to **R919 million**

**Increase** in EBITDA of 20% to **R620 million**

**Increase** in headline earnings per share of 25% to **53.26 cents**

**Increase** in headline earnings of 25% to **R355 million**

**Increase** in cash and cash equivalents by R694 million to **R1.5 billion**

## OVERVIEW

In spite of a challenging economic environment, the Group delivered an encouraging performance for the six months ended 30 November 2015, resulting in growth in headline earnings per share of 25% to 53.26 cents.

These results were achieved through increases in revenue of 25%, gross profit of 17% and EBITDA of 20%. This performance was attributable to organic growth, underpinned by an expanding distribution channel and in turn a growth in market share.

On the international front, the Group's share of losses in Blue Label Mexico (BLM) declined by 28%, albeit equating to a share of losses of R32.5 million. This impacted negatively on headline earnings per share by 4.88 cents. Oxigen Services India has remained profitable from year-end, focusing on expanding a valuable mobile wallet subscriber base.

The statement of financial position remains robust and liquid with accumulated equity increasing to R4.1 billion, net of accumulated dividends paid to date totalling R913 million. Net asset value equated to R6.03 per share.

## SEGMENTAL REPORT

### South African Distribution

| | **Unaudited 30 November 2015 R'000** | Unaudited 30 November 2014 R'000 | Growth R'000 | Growth | Audited 31 May 2015 R'000 |
|---|---|---|---|---|---|
| Revenue | **12 634 322** | 10 157 038 | 2 477 284 | 24% | 21 657 891 |
| Gross profit | **795 245** | 696 195 | 99 050 | 14% | 1 444 730 |
| EBITDA | **577 586** | 507 718 | 69 868 | 14% | 1 038 252 |
| Core net profit | **391 138** | 347 668 | 43 470 | 13% | 684 756 |
| Gross profit margin | **6.29%** | 6.85% | | | 6.67% |
| EBITDA margin | **4.57%** | 5.00% | | | 4.79% |

Growth in revenue of 24% was organically achieved through increased sales by expanding distribution channels. Revenue generated on "PINless top-ups" increased by R641 million from R1.2 billion to R1.8 billion, equating to effective growth in South African Distribution revenue of 27%, in that only the commission earned thereon is recognised.

Net commissions earned on the distribution of prepaid electricity continued to increase, escalating by R16 million to R95 million (20%) on turnover of R6 billion generated on behalf of the utilities.

Although there was a contraction in gross profit margins, gross profit increased by R99 million (14%) to R795 million. This was congruent with the growth in revenue generated.

The resultant growth in EBITDA of 14% to R578 million equated to an EBITDA margin of 4.57%.

Core net profit increased by R43 million to R391 million (13%).

### International Distribution

| | **Unaudited 30 November 2015 R'000** | Unaudited 30 November 2014 R'000 | Growth R'000 | Growth | Audited 31 May 2015 R'000 |
|---|---|---|---|---|---|
| EBITDA | **23 595** | (4 511) | 28 106 | 623% | 35 379 |
| Share of (losses)/profits from associates and joint ventures | **(33 659)** | (42 128) | 8 469 | 20% | (81 269) |
| – Ukash | **–** | 7 379 | (7 379) | (100%) | 12 004 |
| – Oxigen Services India | **2 813** | (666) | 3 479 | 522% | 2 619 |
| – Blue Label Mexico | **(32 499)** | (45 194) | 12 695 | 28% | (88 508) |
| – Other | **(3 973)** | (3 647) | (326) | (9%) | (7 384) |
| Core net loss | **(11 867)** | (44 013) | 32 146 | 73% | (54 646) |
| – Equity holders of the parent | **(11 825)** | (39 666) | 27 841 | 70% | (46 958) |
| – Non-controlling interests | **(42)** | (4 347) | 4 305 | 99% | (7 688) |

Of the increase in EBITDA by R28 million, R9 million was attributable to the cessation of expenditure in Africa Prepaid Services Nigeria and R19 million to foreign exchange gains on loans owing by foreign Group companies.

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

### Ukash

The share of profits in Ukash ceased in March 2015 as the Group disposed of its interest therein.

### Oxigen Services India

There was a turnaround from the Group's share of losses of R0.7 million in the comparative period to a share of profits of R2.8 million, after the amortisation of intangible assets.

The company is focused on increasing its wallet subscriber base, thereby creating value per subscriber simultaneously with the generation of transaction fees emanating from a multitude of transactional offerings. A continuous growth in the wallet subscriber base will in turn result in increased revenue from the various initiatives that the company has developed in this regard. These include domestic and international remittances, e-Commerce transactions, a loyalty wallet, chat applications and gift cards as well as augmenting its existing bouquet of prepaid tokens of value.

Daily money transfer deposits have grown from USD2.7 million per day as at 30 November 2014 to USD3.6 million per day as at 30 November 2015, increasing through its connectivity with the National Payment Corporation of India.

### Blue Label Mexico

BLM's losses declined from R95 million to R67 million, of which the Group's share was R32.5 million after the amortisation of intangible assets.

The decline in losses was attributable to increases in revenue by 27% underpinned by higher gross profit margins. This was as a result of the company becoming a multicarrier distributor as opposed to historically being confined to one network. This has created a more competitive environment amongst the networks to the benefit of the company. Focus on cost efficiencies resulted in a decline in operational expenditure by 5%.

The above initiatives, together with the introduction of starter packs that generate monthly compounded annuity income, are expected to result in further declines in losses for the balance of the financial year.

### Mobile

| | **Unaudited 30 November 2015 R'000** | Unaudited 30 November 2014 R'000 | Growth R'000 | Growth | Audited 31 May 2015 R'000 |
|---|---|---|---|---|---|
| Revenue | **137 730** | 95 248 | 42 482 | 45% | 240 168 |
| Gross profit | **85 520** | 61 138 | 24 382 | 40% | 136 773 |
| EBITDA | **39 441** | 20 241 | 19 200 | 95% | 51 359 |
| Core net profit | **20 916** | 11 951 | 8 965 | 75% | 28 559 |

Viamedia, a mobile content and value-added services provider, was the predominant contributor to growth in revenue and profitability in this segment.

At core net profit level, positive contributions to growth by Viamedia of R7.8 million and Cellfind, Panacea Mobile and Simigenix of R2.7 million were partially negated by no contribution to profitability in the current period by Blue Label Engage as a result of its disposal in December 2014.

### Solutions

| | **Unaudited 30 November 2015 R'000** | Unaudited 30 November 2014 R'000 | Growth R'000 | Growth | Audited 31 May 2015 R'000 |
|---|---|---|---|---|---|
| Revenue | **103 222** | 75 106 | 28 116 | 37% | 146 163 |
| Gross profit | **37 872** | 30 451 | 7 421 | 24% | 62 837 |
| EBITDA | **18 975** | 18 122 | 853 | 5% | 40 831 |
| Core net profit | **6 808** | 7 770 | (962) | (12%) | 23 975 |

In October 2015 Velociti was disposed of at a loss of R5.4 million. On exclusion of this capital loss, core net profit increased from R7.8 million to R12.2 million (55%). This growth was entirely attributable to the contribution by Blue Label Data Solutions which generated revenue of R71 million and a growth of 43% from R14 million to R21 million at EBITDA level.

### Corporate

| | Unaudited 30 November 2015 R'000 | Unaudited 30 November 2014 R'000 | Growth R'000 | Growth | Audited 31 May 2015 R'000 |
|---|---|---|---|---|---|
| EBITDA | **(39 360)** | (25 607) | (13 753) | (54%) | (85 656) |
| Core net loss | **(48 899)** | (32 200) | (16 699) | (52%) | (93 754) |

In the comparative period EBITDA losses were confined to R26 million as a result of a once-off income receipt. Corporate overheads increased by 8%.

## DEPRECIATION, AMORTISATION AND IMPAIRMENT CHARGES

Depreciation and amortisation amounted to R47 million in line with the comparative period. Of this amount, R10.4 million pertained to the amortisation of intangible assets resulting from purchase price allocations from historical acquisitions.

## NET FINANCE COSTS

### Finance costs

Finance costs totalled R99 million, of which R12 million related to interest paid on borrowed funds and R87 million to imputed IFRS interest adjustments on credit received from suppliers. On a comparative basis, interest paid on borrowed funds amounted to R29 million and the imputed IFRS interest adjustment equated to R71 million.

The decline of R17 million on interest paid on borrowed funds was congruent with an increase in cash generated from trading operations. This decline was net of the perpetuation of applying excess funds to bulk inventory purchase transactions and early settlement payments attracting favourable discounts. Finance facilities were utilised from time to time for this purpose and repaid during the current period.

### Finance income

Finance income totalled R96 million, of which R28 million was attributable to interest received on cash resources and R68 million to imputed IFRS interest adjustments. On a comparative basis, interest received on cash resources amounted to R15 million and the imputed IFRS interest adjustment to R76 million.

The increase in interest received from cash resources was directly 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 R591 million to R7.6 billion, of which growth in non-current assets accounted for R66 million and current assets for R525 million.

The net movement in non-current assets included a net increase in investments in associate and joint venture companies of R120 million and R8 million of capital expenditure net of depreciation. These increases were offset by net declines of R15 million in intangible assets and goodwill, R27 million in loans receivable and R20 million in other non-current assets.

The net increase in investment in associate and joint venture companies comprised a capital contribution to Blue Label Mexico of R43 million, a positive impact on foreign currency translation reserves of R34 million, a loan of R32 million granted to "Edgars Connect", interest capitalised on loans of R9 million and unrealised foreign exchange gains thereon of R37 million. These increases were partially offset by the Group's share of losses of R32 million in Blue Label Mexico.

The net decline in intangible assets and goodwill mainly pertained to the amortisation of intangibles by R64 million, the decline in goodwill and intangible assets by R5 million relating to the disposal of Velociti, offset by R54 million expended on the purchase of software, development costs, starter pack bases and the expansion of distribution channels.

An increase in cash resources by R694 million and a reduction in inventories by R165 million resulted in a net increase in current assets of R525 million.

The stock turn equated to 19 days compared to 26 days for the financial year ended 31 May 2015 in line with the increase in cost of sales and the reduction in inventory.

The debtors' collection period declined to 39 days compared to 46 days for the financial year ended 31 May 2015, thereby contributing to the growth in cash resources.

The net profit attributable to equity holders of R349 million, less a dividend of R209 million, resulted in retained earnings accumulating to R2.8 billion.

Trade and other payables increased by R414 million in line with the growth in trading activities, with credit terms averaging 52 days.

## STATEMENT OF CASH FLOWS

Cash flows from operating activities amounted to R1.1 billion predominately attributable to increased trading activity and a reduction in working capital requirements.

Cash flows applied to investing activities amounted to R156 million. Of this amount, R43 million related to the additional investment in Blue Label Mexico, R32 million to a loan to the associated "Edgars Connect" stores, R52 million to the purchase of intangible assets, R11 million to net loans granted and R33 million to capital expenditure. The above outflows were partially offset by net proceeds received of R13 million from the disposal of Velociti.

After applying R23 million to the acquisition of treasury shares and a dividend payment of R213 million to shareholders and non-controlling interests, cash on hand accumulated to R1.5 billion.

## FORFEITABLE SHARE SCHEME

Forfeitable shares totalling 2 583 819 (2014: 3 124 234) were issued to qualifying employees. During the period 530 375 (2014: 6 084) shares were forfeited and 2 915 266 (2014: 3 819 408) shares vested.

## PROSPECTS

On 10 December 2015, BLT issued a SENS announcement with regard to the potential subscription of approximately 35% of the share capital of Cell C Proprietary Limited (Cell C), in terms of which Blue Label, in conjunction with other investors, has offered to participate in the recapitalisation of Cell C. Should the proposed transaction be concluded, Blue Label will contribute R4 billion for the above subscription.

Management are of the opinion that should the transaction be completed, it will be compelling both from an investment and commercial perspective.

Oxigen Services India will continue to focus on enhancing its mobile wallet subscriber base. It is the intention of the company to perpetuate its marketing of the benefits of prepaid wallets to the vast unbanked population of India. Growth in the base will not only increase revenue via transactional fees but will simultaneously enhance the underlying value of Oxigen in terms of market-related values per subscriber.

The decline in losses incurred by Blue Label Mexico is expected to continue in line with its roll-out of prepaid starter packs, which is gaining momentum on a monthly basis. Furthermore, its decision last year to become a multicarrier distributor has clearly manifested itself in an increase in melded gross profit margins. It has the opportunity of widening its bouquet of product offerings to its escalating multitude of distribution points of presence.

The strategy to enter into an initiative with the Edcon group relating to standalone "Edgars Connect" retail stores is expected to gain momentum through the establishment of additional outlets. This initiative has created an ideal platform for BLT to complement its strategy of the inclusion of marketing its products and services on a retail basis.

Mobile Money Transfer development has progressed significantly and implementation will soon commence.

South African Distribution has enhanced its bouquet of products to include mobile handsets and tablets. Low cost smart phones are expected to reach a wider spectrum of consumers which in turn will enhance the sale of prepaid tokens of value.

## SUBSEQUENT EVENTS

Blue Label advanced Oxigen Services India USD10.5 million by way of a rights issue in support of funding its growth in wallet subscribers.

## APPRECIATION

The Board of Blue Label Telecoms would once again like to express its appreciation to its suppliers, customers, business partners and staff for their ongoing support and loyalty.

For and on behalf of the Board

**LM Nestadt**
*Chairman*

**BM Levy** and **MS Levy**
*Joint Chief Executive Officers*

**DA Suntup* CA(SA)**
*Financial Director*

23 February 2016

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

# CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

| As at | 30 November 2015 Unaudited R'000 | 30 November 2014 Unaudited R'000 | 31 May 2015 Audited R'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | **2 105 946** | 2 129 839 | 2 040 214 |
| Property, plant and equipment | **115 077** | 109 943 | 106 684 |
| Intangible assets and goodwill | **1 239 597** | 1 329 638 | 1 254 893 |
| Investment in and loans to associates and joint ventures | **668 754** | 619 505 | 548 572 |
| Loans receivable | **2 300** | 15 700 | 29 733 |
| Starter pack assets | **7 488** | 3 068 | 4 449 |
| Trade and other receivables | **52 324** | 31 993 | 65 085 |
| Deferred taxation assets | **20 406** | 19 992 | 30 798 |
| **Current assets** | **5 511 932** | 4 757 180 | 4 986 606 |
| Inventories | **1 268 300** | 1 835 020 | 1 433 104 |
| Loans receivable | **69 529** | 33 938 | 44 569 |
| Starter pack assets | **1 872** | 1 364 | 1 938 |
| Trade and other receivables | **2 684 170** | 2 494 016 | 2 712 165 |
| Current tax assets | **5 320** | 4 496 | 6 419 |
| Cash and cash equivalents | **1 482 741** | 388 346 | 788 411 |
| **Total assets** | **7 617 878** | 6 887 019 | 7 026 820 |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | **4 095 105** | 3 648 620 | 3 917 981 |
| Share capital, share premium and treasury shares | **3 942 513** | 3 943 889 | 3 943 888 |
| Restructuring reserve | **(1 843 912)** | (1 843 912) | (1 843 912) |
| Other reserves | **140 476** | 139 834 | 108 543 |
| Share-based payment reserve | **30 736** | 31 976 | 39 297 |
| Transactions with non-controlling interest reserve | **(965 861)** | (957 230) | (965 861) |
| Retained earnings | **2 762 632** | 2 324 960 | 2 622 558 |
| Non-controlling interest | **28 521** | 9 103 | 13 468 |
| **Non-current liabilities** | **147 070** | 113 746 | 197 673 |
| Deferred taxation liabilities | **68 221** | 83 912 | 54 451 |
| Trade and other payables | **78 849** | 29 649 | 143 222 |
| Provisions | **–** | 185 | – |
| **Current liabilities** | **3 375 703** | 3 124 653 | 2 911 166 |
| Trade and other payables | **3 309 049** | 3 059 540 | 2 831 000 |
| Provisions | **15 826** | 25 362 | 21 491 |
| Current tax liabilities | **33 112** | 13 944 | 42 588 |
| Current portion of interest-bearing borrowings | **1 629** | 2 805 | – |
| Current portion of non-interest-bearing borrowings | **16 087** | 23 002 | 16 087 |
| **Total equity and liabilities** | **7 617 878** | 6 887 019 | 7 026 820 |

# CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

| | **Six months ended 30 November 2015 Unaudited R'000** | Six months ended 30 November 2014 Unaudited R'000 | Year ended 31 May 2015 Audited R'000 |
|---|---|---|---|
| **Revenue** | **12 875 274** | 10 327 392 | 22 044 222 |
| Other income | **42 960** | 36 821 | 99 972 |
| Change in inventories of finished goods | **(11 956 637)** | (9 539 608) | (20 399 882) |
| Employee compensation and benefit expense | **(202 553)** | (187 677) | (407 448) |
| Depreciation, amortisation and impairment charges | **(47 083)** | (46 479) | (94 019) |
| Other expenses | **(138 807)** | (120 965) | (256 699) |
| **Operating profit** | **573 154** | 469 484 | 986 146 |
| Finance costs | **(98 834)** | (99 666) | (233 165) |
| Finance income | **95 824** | 90 732 | 173 047 |
| Share of loss from associates and joint ventures | **(33 713)** | (42 629) | (79 338) |
| **Profit for the period before taxation** | **536 431** | 417 921 | 846 690 |
| Taxation | **(169 694)** | (133 457) | (265 497) |
| **Net profit for the period** | **366 737** | 284 464 | 581 193 |
| **Other comprehensive income:** | | | |
| **Items reclassified to profit or loss** | | | |
| Foreign currency translation reserve reclassified to profit or loss | **–** | – | (18 467) |
| **Items that may be subsequently reclassified to profit or loss** | | | |
| Share of other comprehensive income/(loss) of associates and joint ventures | **33 513** | (1 193) | (10 497) |
| Foreign exchange (loss)/profit on translation of foreign operations | **(54)** | 2 510 | 5 863 |
| **Other comprehensive income/(loss) for the period, net of tax** | **33 459** | 1 317 | (23 101) |
| **Total comprehensive income for the period** | **400 196** | 285 781 | 558 092 |
| **Net profit for the period attributable to:** | **366 737** | 284 464 | 581 193 |
| Equity holders of the parent | **349 172** | 284 392 | 577 617 |
| Non-controlling interest | **17 565** | 72 | 3 576 |
| **Total comprehensive income for the period attributable to:** | **400 196** | 285 781 | 558 092 |
| Equity holders of the parent | **381 105** | 285 428 | 549 691 |
| Non-controlling interest | **19 091** | 353 | 8 401 |

| | Six months ended 30 November 2015 Unaudited | Six months ended 30 November 2014 Unaudited | Year ended 31 May 2015 Audited |
|---|---|---|---|
| **Earnings per share for profit attributable to equity holders (cents)** | | | |
| Basic earnings per share (cents) | **52.46** | 42.79 | 86.86 |
| Diluted earnings per share (cents)** | **51.92** | 41.87 | 85.03 |
| Weighted average number of shares | **665 657 319** | 664 598 720 | 665 029 849 |
| Diluted weighted average number of shares | **672 569 839** | 670 493 760 | 672 702 231 |
| Number of shares in issue | **674 509 042** | 674 509 042 | 674 509 042 |

| | Six months ended 30 November 2015 Unaudited R'000 | Six months ended 30 November 2014 Unaudited R'000 | Year ended 31 May 2015 Audited R'000 |
|---|---|---|---|
| **Share performance** | | | |
| Headline earnings per share (cents) | **53.26** | 42.73 | 82.26 |
| Diluted headline earnings per share (cents)** | **52.71** | 41.82 | 80.49 |
| Dividend per share (cents) | **31.00** | 27.00 | 27.00 |
| **Reconciliation between net profit and core net profit for the period:** | | | |
| Net profit for the period attributable to equity holders of the parent | **349 172** | 284 392 | 577 617 |
| Amortisation on intangible assets raised through business combinations net of tax and net of non-controlling interest | **8 966** | 11 131 | 18 961 |
| Core net profit for the period | **358 138** | 295 523 | 596 578 |
| Core earnings per share (cents)* | **53.80** | 44.47 | 89.71 |

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

*** 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.*

## HEADLINE EARNINGS

| | Six months ended 30 November 2015 Unaudited R'000 | Six months ended 30 November 2014 Unaudited R'000 | Year ended 31 May 2015 Audited R'000 |
|---|---|---|---|
| Profit attributable to equity holders of the parent | **349 172** | 284 392 | 577 617 |
| Net profit on disposal of property, plant and equipment | **(136)** | (383) | (1 225) |
| Loss/(profit) on disposal of subsidiary | **5 454** | – | (3 962) |
| Profit on disposal of associate | **–** | – | (28 643) |
| Impairment of intangible assets and property, plant and equipment | **10** | – | 3 264 |
| Headline earnings | **354 500** | 284 009 | 547 051 |
| Headline earnings per share (cents) | **53.26** | 42.73 | 82.26 |

# 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 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** |
| Balance as at 1 June 2014 | 3 945 832 | 2 222 685 |
| Net profit for the period | – | 284 392 |
| Other comprehensive income | – | – |
| Total comprehensive income | – | 284 392 |
| Dividends paid | – | (182 117) |
| Treasury shares purchased | (19 130) | – |
| Equity compensation benefit scheme shares vested | 17 187 | – |
| Equity compensation benefit movement | – | – |
| Non-controlling interests acquired during the period | – | – |
| Balance as at 30 November 2014 | 3 943 889 | 2 324 960 |
| Year ended | Audited R'000 | Audited R'000 |
| Balance as at 1 June 2014 | 3 945 832 | 2 222 685 |
| Net profit for the year | – | 577 617 |
| Other comprehensive income | – | – |
| Total comprehensive income | – | 577 617 |
| Dividends paid | – | (182 117) |
| Treasury shares purchased | (19 131) | – |
| Equity compensation benefit scheme shares vested | 17 187 | – |
| Equity compensation benefit movement | – | – |
| Share of equity movement in associates | – | – |
| Associate disposed | – | 3 081 |
| Non-controlling interest movement | – | 1 292 |
| Balance as at 31 May 2015 | 3 943 888 | 2 622 558 |

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

| Restructuring reserve Unaudited R'000 | Other reserves* Unaudited R'000 | Transactions with non-controlling interest reserve Unaudited R'000 | Share-based payment reserve** Unaudited R'000 | Non-controlling interest Unaudited R'000 | Total equity Unaudited R'000 |
|---|---|---|---|---|---|
| **(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** |
| (1 843 912) | 138 798 | (957 230) | 33 660 | (15 844) | 3 523 989 |
| – | – | – | – | 72 | 284 464 |
| – | 1 036 | – | – | 281 | 1 317 |
| | | | | | |
| – | 1 036 | – | – | 353 | 285 781 |
| – | – | – | – | (2 850) | (184 967) |
| – | – | – | – | – | (19 130) |
| – | – | – | (16 947) | (240) | – |
| – | – | – | 15 263 | 273 | 15 536 |
| – | – | – | – | 27 411 | 27 411 |
| (1 843 912) | 139 834 | (957 230) | 31 976 | 9 103 | 3 648 620 |
| Audited R'000 | Audited R'000 | Audited R'000 | Audited R'000 | Audited R'000 | Audited R'000 |
| (1 843 912) | 138 798 | (957 230) | 33 660 | (15 844) | 3 523 989 |
| – | – | – | – | 3 576 | 581 193 |
| – | (27 926) | – | – | 4 825 | (23 101) |
| | | | | | |
| – | (27 926) | – | – | 8 401 | 558 092 |
| – | – | – | – | (4 874) | (186 991) |
| – | – | – | – | – | (19 131) |
| – | – | – | (16 949) | (238) | – |
| – | – | – | 24 082 | 208 | 24 290 |
| – | – | – | 548 | – | 548 |
| – | (2 329) | – | (752) | – | – |
| – | – | (8 631) | (1 292) | 25 815 | 17 184 |
| (1 843 912) | 108 543 | (965 861) | 39 297 | 13 468 | 3 917 981 |

# CONDENSED GROUP STATEMENT OF CASH FLOWS

| | Six months ended 30 November 2015 Unaudited R'000 | Six months ended 30 November 2014 Unaudited R'000 | Year ended 31 May 2015 Audited R'000 |
|---|---|---|---|
| **Cash generated by operations** | **1 241 467** | (132 478) | 429 806 |
| Interest received | **17 460** | 6 637 | 15 995 |
| Interest paid | **(11 716)** | (28 400) | (67 811) |
| Taxation paid | **(157 779)** | (150 146) | (245 495) |
| Net cash generated from/(utilised in) operating activities | **1 089 432** | (304 387) | 132 495 |
| **Cash flows from investing activities** | | | |
| Acquisition of intangible assets and property, plant and equipment | **(84 782)** | (90 599) | (178 684) |
| Acquisition of subsidiaries net of cash acquired | **–** | (143 767) | (157 460) |
| Disposal of subsidiary net of cash disposed | **13 219** | – | – |
| Proceeds on disposal of associate | **–** | – | 94 897 |
| Loans advanced to Blue Label Mexico* | **(42 654)** | (48 979) | (48 979) |
| Loans granted | **(11 390)** | (5 597) | (10 315) |
| Loans granted to associates | **(32 000)** | (257) | (14 353) |
| Other investing activities | **1 143** | 2 307 | (13 857) |
| Net cash utilised in investing activities | **(156 464)** | (286 892) | (328 751) |
| **Cash flows from financing activities** | | | |
| Acquisition of treasury shares | **(23 052)** | (19 131) | (19 131) |
| Dividends paid to non-controlling interest | **(4 000)** | (2 850) | (4 874) |
| Dividends paid | **(209 098)** | (182 117) | (182 117) |
| Other financing activities | **–** | (449) | 846 |
| Net cash utilised in financing activities | **(236 150)** | (204 547) | (205 276) |
| **Net increase/(decrease) in cash and cash equivalents** | **696 818** | (795 826) | (401 532) |
| Cash and cash equivalents at the beginning of the year | **788 411** | 1 184 131 | 1 184 131 |
| Translation difference | **(2 488)** | 41 | 5 812 |
| **Cash and cash equivalents at the end of the year** | **1 482 741** | 388 346 | 788 411 |

** These loans were subsequently capitalised.*

The condensed 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 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 consolidated interim financial statements have been prepared in accordance with the going concern principle, under the historical cost convention, except for certain financial and equity investments which have been measured at fair value. The accounting policies and methods of computation are consistent with those applied in the annual financial statements for the year ended 31 May 2015 and with those applied in the previous condensed consolidated interim financial statements, with the exception of the standards that are effective for the first time in the current period. These have been disclosed in note 1 to the Group annual financial statements for the year ended 31 May 2015. These standards have not had a significant impact on the interim financial statements.

In addition to the standards that are issued but not yet effective that were disclosed in note 1 to the Group annual financial statement for the year ended 31 May 2015, the following standard has been issued but is not yet effective:

*IFRS 16 – Leases*

Lessees are required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. Lessor accounting has not substantially changed in the new standard.

The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. A lessee is not required to recognise assets and liabilities for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture).

A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment.

This standard is effective for periods beginning on or after 1 January 2019. The Group is currently considering the impact on the consolidated financial statements.

We aim to provide stakeholders with the same additional information that management uses to evaluate the performance of the Group's operations.

In addition, the Group applies core net profit as a non-IFRS measure 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 purchase price allocations completed in terms of IFRS 3(R): *Business Combinations*.

The results have not been reviewed or audited for the period ended 30 November 2015.

| Six months ended 30 November 2015 | Total Unaudited R'000 | South African Distribution Unaudited R'000 |
|---|---|---|
| **Total segment revenue** | **16 004 672** | **15 749 428** |
| **Inter-segment 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** |
| **Core net profit/(loss) for the year attributable to equity holders of the parent** | **358 138** | **391 138** |
| **At 30 November 2015** | | |
| **Total assets** | **7 617 878** | **6 306 524** |
| **Net operating assets/(liabilities)** | **2 136 229** | **2 188 937** |
| Six months ended 30 November 2014 | | |
| Total segment revenue | 13 294 271 | 12 999 702 |
| Inter-segment revenue | (2 966 879) | (2 842 664) |
| Revenue | 10 327 392 | 10 157 038 |
| Operating profit/(loss) before depreciation, amortisation and impairment charges | 515 963 | 507 718 |
| Net profit/(loss) for the period attributable to equity holders of the parent | 284 392 | 341 029 |
| Amortisation on intangibles raised through business combinations net of tax and non-controlling interest | 11 131 | 6 639 |
| Core net profit/(loss) for the year attributable to equity holders of the parent | 295 523 | 347 668 |
| At 30 November 2014 | | |
| Total assets | 6 887 019 | 5 633 582 |
| Net operating assets/(liabilities) | 1 632 527 | 1 838 537 |
| **Year ended 31 May 2015** | **Audited R'000** | **Audited R'000** |
| Total segment revenue | 27 780 173 | 27 364 493 |
| Inter-segment revenue | (5 735 951) | (5 706 602) |
| Revenue | 22 044 222 | 21 657 891 |
| Operating profit/(loss) before depreciation, amortisation and impairment charges | 1 080 165 | 1 038 252 |
| Net profit/(loss) for the year attributable to equity holders of the parent | 577 617 | 671 619 |
| Amortisation on intangibles raised through business combinations net of tax and non-controlling interest | 18 961 | 13 137 |
| Core net profit/(loss) for the year attributable to equity holders of the parent | 596 578 | 684 756 |
| At 31 May 2015 | | |
| Total assets | 7 026 820 | 5 890 188 |
| Net operating assets/(liabilities) | 2 075 440 | 2 135 980 |

| | International Distribution Unaudited R'000 | Mobile Unaudited R'000 | Solutions Unaudited R'000 | Corporate Unaudited R'000 |
|---|---|---|---|---|
| | – | 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 | – | – |
| | (11 825) | 20 916 | 6 808 | (48 899) |
| | 561 975 | 504 004 | 154 861 | 90 514 |
| | (9 234) | 38 803 | 53 426 | (135 703) |
| | | | | |
| | — | 208 304 | 86 265 | — |
| | — | (113 056) | (11 159) | — |
| | — | 95 248 | 75 106 | — |
| | (4 511) | 20 241 | 18 122 | (25 607) |
| | (41 534) | 9 327 | 7 770 | (32 200) |
| | 1 868 | 2 624 | — | — |
| | (39 666) | 11 951 | 7 770 | (32 200) |
| | 581 852 | 474 967 | 135 126 | 61 492 |
| | (10 648) | (43 137) | 26 528 | (178 753) |
| | Audited R'000 | Audited R'000 | Audited R'000 | Audited R'000 |
| | — | 251 085 | 164 595 | — |
| | — | (10 917) | (18 432) | — |
| | — | 240 168 | 146 163 | — |
| | 35 379 | 51 359 | 40 831 | (85 656) |
| | (50 551) | 26 328 | 23 975 | (93 754) |
| | 3 593 | 2 231 | — | — |
| | (46 958) | 28 559 | 23 975 | (93 754) |
| | 477 953 | 449 306 | 151 541 | 57 832 |
| | (8 946) | (19 583) | 37 488 | (69 499) |

# FINANCIAL INSTRUMENTS

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

Changes in level 3 instruments are as follows:

| | **Six months ended 30 November 2015 Unaudited R'000** | Six months ended 30 November 2014 Unaudited R'000 | Year ended 31 May 2015 Audited R'000 |
|---|---|---|---|
| **Contingent consideration** | | | |
| Opening balance | **123 902** | 22 607 | 22 607 |
| Acquisition of Viamedia Proprietary Limited | **–** | 131 027 | 84 783 |
| Acquisition of Supa Pesa Africa (Mauritius) Limited | **–** | – | 29 851 |
| Acquisition of Supa Pesa South Africa Proprietary Limited | **–** | – | 100 |
| Settlements | **(1 631)** | (17 895) | (19 515) |
| Gains and losses recognised in profit or loss | **3 931** | 1 347 | 6 076 |
| Closing balance | **126 202** | 137 086 | 123 902 |
| 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 | **–** | (923) | (923) |
| Interest paid | **3 931** | 1 347 | 6 999 |
| Change in unrealised gains or losses for the period included in profit or loss for liabilities held at the end of the reporting period | **655** | – | 2 052 |

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

# SIGNIFICANT RELATED PARTY TRANSACTIONS

| | **Six months ended 30 November 2015 Unaudited R'000** | Six months ended 30 November 2014 Unaudited R'000 | Year ended 31 May 2015 Audited R'000 |
|---|---|---|---|
| **Purchases from related parties** | | | |
| ZOK Cellular Proprietary Limited | **34 941** | 34 955 | 69 946 |
| **Loans to related parties** | | | |
| 2DFine Holdings Mauritius | **203 865** | 141 823 | 163 634 |
| Lornanox Proprietary Limited trading as Edgars Connect | **38 000** | – | 6 000 |
| Oxigen Services India Private Limited | **35 049** | 26 753 | 29 552 |

**Directors:** LM Nestadt (Chairman)*, BM Levy, MS Levy, K Ellerine**, GD Harlow*, Y Mahomed* (appointed 18 August 2015), JS Mthimunye*, MV Pamensky (resigned effective 30 November 2015), 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)