AUDITED RESULTS FOR THE YEAR ENDED 31 MAY 2013

BLUE LABEL TELECOMS

↑ in headline earnings per share of **17%** after excluding a once off income receipt in the comparative year*

↓ in headline earnings per share of **1%** after including a once off income receipt in the comparative year*

↑ in revenue to **R19 billion**

↑ in gross profit to **R1,3 billion**

↑ in EBITDA to **R714 million**

↑ Dividend declared to **25 cents** per share

*Once off income receipt amounted to R79,4 million

SUMMARISED GROUP STATEMENT OF FINANCIAL POSITION

As at 31 May	2013 R'000	2012 R'000
ASSETS		
Non-current assets	**1 340 410**	993 076
Property, plant and equipment	**88 125**	112 188
Intangible assets and goodwill	**706 018**	505 698
Investment in and loans to associates and joint ventures	**524 162**	357 471
Loans receivable	**1 000**	1 435
Starter pack assets	**2 573**	4 501
Deferred taxation assets	**18 532**	11 783
Current assets	**4 380 137**	3 942 456
Inventories	**1 858 511**	539 221
Loans receivable	**36 431**	30 049
Starter pack assets	**1 115**	3 191
Trade and other receivables	**1 539 365**	1 387 650
Current tax assets	**3 433**	7 103
Cash and cash equivalents	**941 282**	1 975 242
Total assets	**5 720 547**	4 935 532
EQUITY AND LIABILITIES		
Capital and reserves	**3 242 853**	2 914 386
Share capital, share premium and treasury shares	**3 939 891**	3 941 316
Restructuring reserve	**(1 843 912)**	(1 843 912)
Other reserves	**113 139**	25 539
Share-based payment reserve	**39 496**	38 915
Transaction with non-controlling interest reserve	**(931 125)**	(909 572)
Retained earnings	**1 941 082**	1 671 378
Non-controlling interest	**(15 718)**	(9 278)
Non-current liabilities	**11 942**	50 624
Deferred taxation liabilities	**11 942**	21 598
Trade and other payables	**—**	29 026
Current liabilities	**2 465 752**	1 970 522
Trade and other payables	**2 393 222**	1 931 204
Provisions	**19 029**	6 260
Current tax liabilities	**39 504**	21 041
Current portion of interest-bearing borrowings	**1 980**	—
Current portion of non-interest-bearing borrowings	**12 017**	12 017
Total equity and liabilities	**5 720 547**	4 935 532

SUMMARISED GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 May	2013 R'000	2012 R'000
Continuing operations		
Revenue	**18 984 210**	18 715 390
Other income	**16 137**	97 412
Change in inventories of finished goods	**(17 712 965)**	(17 507 468)
Employee compensation and benefit expense	**(332 901)**	(327 830)
Depreciation, amortisation and impairment charges	**(67 951)**	(91 557)
Other expenses	**(240 859)**	(227 022)
Operating profit	**645 671**	658 925
Finance costs	**(167 096)**	(181 081)
Finance income	**173 260**	170 995
Share of loss from associates and joint ventures	**(47 326)**	(19 835)
Net profit before taxation	**604 509**	629 004
Taxation	**(196 404)**	(194 075)
Net profit from the year from continuing operations	**408 105**	434 929
Discontinued operation		
Net loss for the year from discontinued operation	**—**	(15 455)
Net profit for the year	**408 105**	419 474
Other comprehensive income:		
Exchange profits on translation of equity loans	**—**	5 395
Exchange profits on translation of foreign operations	**87 888**	36 058
Other comprehensive income for the year, net of tax	**87 888**	41 453
Total comprehensive income for the year	**495 993**	460 927
Net profit for the year attributable to:		
Equity holders of the parent	**424 841**	438 104
– From continuing operations	**424 841**	443 597
– From discontinued operation	**—**	(5 493)
Non-controlling interest	**(16 736)**	(18 630)
– From continuing operations	**(16 736)**	(8 668)
– From discontinued operation	**—**	(9 962)
Total comprehensive income for the year attributable to:	**495 993**	460 927
Equity holders of the parent	**512 441**	477 244
Non-controlling interest	**(16 448)**	(16 317)
Earnings per share for profit attributable to equity holders (cents)		
Basic earnings per share (cents)	**64,22**	61,87
– From continuing operations	**64,22**	62,65
– From discontinued operation	**—**	(0,78)
Diluted earnings per share (cents)**	**63,19**	60,97
– From continuing operations	**63,19**	61,74
– From discontinued operation	**—**	(0,78)
Dividend per share (cents)	**23,00**	14,00
Weighted average number of shares	**661 577 847**	708 059 527
Diluted weighted average number of shares	**672 304 611**	718 577 060
Number of shares in issue	**674 509 042**	674 509 042
Headline earnings per share (cents)	**64,17**	64,65
– From continuing operations	**64,17**	65,43
– From discontinued operation	**—**	(0,78)
Diluted headline earnings per share (cents)**	**63,14**	63,70
Reconciliation between net profit and core net profit for the year:		
Net profit for the year attributable to equity holders of the parent	**424 841**	438 104
Amortisation on intangible assets raised through business combinations net of tax and net of non-controlling interest	**12 675**	17 693
Core net profit for the year	**437 516**	455 797
– Core earnings per share (cents)*	**66,13**	64,37

*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.

SUMMARISED GROUP STATEMENT OF CASH FLOWS

for the year ended 31 May	2013 R'000	2012 R'000
Cash flows from operating activities	**(439 794)**	528 109
Cash flows from investing activities	**(406 336)**	(276 991)
Cash flows from financing activities	**(188 066)**	(519 984)
Decrease in cash and cash equivalents	**(1 034 196)**	(268 866)
Cash and cash equivalents at the beginning of the year	**1 975 242**	2 226 170
Translation difference	**236**	17 938
Cash and cash equivalents at the end of the year	**941 282**	1 975 242

SUMMARISED GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital, share premium and treasury shares R'000	Retained earnings R'000	Restructuring reserve R'000	Other reserves* R'000	Transaction with non-controlling interest reserve R'000	Share-based payment reserve** R'000	Non-controlling interest R'000	Total equity R'000
Balance as at 1 June 2011	4 348 231	1 340 318	(1 843 912)	(13 601)	(909 006)	19 099	14 234	2 955 363
Net profit for the year	—	438 104	—	—	—	—	(18 630)	419 474
Other comprehensive income	—	—	—	39 140	—	—	2 313	41 453
Total comprehensive income/(loss)	—	438 104	—	39 140	—	—	(16 317)	460 927
Dividends paid	—	(107 044)	—	—	—	—	(2 945)	(109 989)
Treasury shares purchased	(16 095)	—	—	—	—	—	—	(16 095)
Shares acquired	(392 378)	—	—	—	—	—	—	(392 378)
Equity compensation benefit scheme shares vested	1 558					(1 517)	(41)	—
Equity-based compensation movements	—	—	—	—	—	21 929	197	22 126
Share of equity movement in associates	—	—	—	—	—	(596)	—	(596)
Transaction with non-controlling interest reserve movement	—	—	—	—	(566)	—	—	(566)
Non-controlling interests disposed of during the year	—	—	—	—	—	—	(4 406)	(4 406)
Balance as at 1 June 2012	**3 941 316**	**1 671 378**	**(1 843 912)**	**25 539**	**(909 572)**	**38 915**	**(9 278)**	**2 914 386**
Net profit for the year	**—**	**424 841**	**—**	**—**	**—**	**—**	**(16 736)**	**408 105**
Other comprehensive income	**—**	**—**	**—**	**87 600**	**—**	**—**	**288**	**87 888**
Total comprehensive income/(loss)	**—**	**424 841**	**—**	**87 600**	**—**	**—**	**(16 448)**	**495 993**
Dividends paid	**—**	**(155 137)**	**—**	**—**	**—**	**—**	**(3 515)**	**(158 652)**
Treasury shares purchased	**(17 223)**	**—**	**—**	**—**	**—**	**—**	**—**	**(17 223)**
Equity compensation benefit scheme shares vested	**15 798**	**—**	**—**	**—**	**—**	**(15 559)**	**(239)**	**—**
Equity-based compensation movements	**—**	**—**	**—**	**—**	**—**	**16 063**	**117**	**16 180**
Share of equity movement in associates	**—**	**—**	**—**	**—**	**—**	**77**	**—**	**77**
Transaction with non-controlling interest reserve movement	**—**	**—**	**—**	**—**	**(21 553)**	**—**	**7 553**	**(14 000)**
Non-controlling interest acquired during the year	**—**	**—**	**—**	**—**	**—**	**—**	**6 092**	**6 092**
Balance as at 31 May 2013	**3 939 891**	**1 941 082**	**(1 843 912)**	**113 139**	**(931 125)**	**39 496**	**(15 718)**	**3 242 853**

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

SEGMENTAL SUMMARY

Year ended	Total R'000	South African distribution R'000	International distribution R'000	Mobile R'000	Solutions R'000	Corporate R'000
31 May 2013						
Total segment revenue	**24 720 865**	**24 363 215**	**—**	**220 393**	**137 257**	**—**
Internal revenue	**(5 736 655)**	**(5 651 135)**	**—**	**(68 973)**	**(16 547)**	**—**
Revenue	**18 984 210**	**18 712 080**	**—**	**151 420**	**120 710**	**—**
Operating profit/(loss) before depreciation, amortisation and impairment charges	**713 622**	**796 439**	**(31 000)**	**37 055**	**24 703**	**(113 575)**
Net profit/(loss) for the year attributable to equity holders of the parent	**424 841**	**562 824**	**(54 861)**	**24 268**	**13 152**	**(120 542)**
– From continuing operations	**424 841**	**562 824**	**(54 861)**	**24 268**	**13 152**	**(120 542)**
Amortisation on intangibles raised through business combinations net of tax and non-controlling interest	**12 675**	**7 942**	**4 176**	**519**	**38**	**—**
Core net profit for the year attributable to equity holders of the parent	**437 516**	**570 766**	**(50 685)**	**24 787**	**13 190**	**(120 542)**
– From continuing operations	**437 516**	**570 766**	**(50 685)**	**24 787**	**13 190**	**(120 542)**
At 31 May 2013						
Total assets	**5 720 547**	**4 950 040**	**481 712**	**94 581**	**145 989**	**48 225**
Net operating assets/(liabilities)	**1 914 385**	**1 981 975**	**(15 567)**	**3 313**	**16 904**	**(72 240)**
Year ended 31 May 2012						
Total segment revenue	30 173 943	29 883 770	17 429	96 084	176 660	—
Internal revenue	(11 458 553)	(11 444 082)	—	(8 840)	(5 631)	—
Revenue	18 715 390	18 439 688	17 429	87 244	171 029	—
Operating profit/(loss) before depreciation, amortisation and impairment charges	750 482	737 488	(15 901)	97 359	38 927	(107 391)
Net profit/(loss) for the year attributable to equity holders of the parent	438 104	504 035	(30 277)	69 270	21 259	(126 183)
– From continuing operations	443 597	504 035	(24 784)	69 270	21 259	(126 183)
– From discontinued operation	(5 493)	—	(5 493)	—	—	—
Amortisation on intangibles raised through business combinations net of tax and non-controlling interest	17 693	9 095	3 841	4 692	65	—
Core net profit for the year attributable to equity holders of the parent	455 797	513 130	(26 436)	73 962	21 324	(126 183)
– From continuing operations	461 290	513 130	(20 943)	73 962	21 324	(126 183)
– From discontinued operation	(5 493)	—	(5 493)	—	—	—
At 31 May 2012						
Total assets	4 935 532	4 364 061	337 494	62 278	137 997	33 702
Net operating assets/(liabilities)	1 971 934	2 029 232	(10 126)	5 247	7 385	(59 804)

DISPOSAL OF SUBSIDIARIES

Shares in the following subsidiaries were disposed of during the year:

	Effective date of disposal	% held and disposed of
Subsidiaries		
Content Connect Africa Proprietary Limited	1 September 2012	100
Multiserv Proprietary Limited	1 January 2013	100

Details of the total net assets disposed and the resulting profit on disposal are as follows:	Total R'000
Total proceeds	**12 338**
Fair value of net assets disposed of	**12 218**
Profit on disposal	**120**

The assets and liabilities disposed of are as follows:	Fair value at disposal date R'000
Cash and cash equivalents	4 230
Property, plant and equipment	333
Intangible assets	7 588
Inventories	1 643
Receivables	7 615
Loan receivable	1 839
Deferred tax	(468)
Borrowings	(9 198)
Current tax liabilities	(45)
Payables	(11 911)
Fair value of subsidiaries disposed of	1 626
Goodwill	10 592
Fair value of net assets disposed of	12 218
Proceeds on disposal of subsidiaries	12 338
Proceeds still to be settled	(7 853)
Proceeds received	4 485
Cash and cash equivalents of subsidiaries disposed of	(4 230)
Cash inflow on disposals	255

ACQUISITION OF SUBSIDIARIES

Shares in the following subsidiaries were acquired during the year:

	Effective date of acquisition	% acquired
Subsidiaries		
Blue Label Engage Proprietary Limited	1 September 2012	50,1
Panacea Mobile Proprietary Limited	1 September 2012	51
TicketPros Proprietary Limited	5 April 2013	60

Details of the total net assets acquired and the resulting goodwill as at acquisition are as follows:	Total R'000
Total purchase consideration	22 569
Fair value of net assets acquired	7 840
Goodwill	14 729

The assets and liabilities acquired through acquisition are as follows:	Fair value at acquisition date R'000	Acquirer's carrying amount on acquisition date R'000
Cash and cash equivalents	17 130	17 130
Property, plant and equipment	578	578
Intangible assets	10 631	868
Goodwill	14 729	—
Inventories	994	994
Receivables	3 465	3 465
Deferred tax	(2 734)	—
Current tax liability	(1 437)	(1 437)
Borrowings	(114)	(114)
Payables	(14 581)	(14 581)
Fair value of subsidiaries acquired	28 661	6 903
Non-controlling interest	(6 092)	
Fair value of net assets acquired	22 569	
Total purchase consideration		22 569
Deferred purchase consideration		(2 669)
Cash and cash equivalents in subsidiaries acquired		(17 130)
Cash outflow from acquisitions		2 770

HEADLINE EARNINGS

For the year ended 31 May	2013 R'000	2012 R'000
Net profit attributable to equity holders of the parent	**424 841**	438 104
Net profit on disposal of property, plant and equipment	**(562)**	(65)
(Profit)/loss on disposal of subsidiaries	**(120)**	3 014
(Profit)/loss on disposal of associates and joint ventures	**(2 107)**	3 025
Impairment of goodwill	**—**	4 684
Impairment of intangible assets and property, plant and equipment	**2 454**	9 354
Profit on disposal of investment	**—**	(361)
Headline earnings	**424 506**	457 755
Headline earnings per share (cents)	**64,17**	64,65
– From continuing operations	**64,17**	65,43
– From discontinued operation	**—**	(0,78)

COMMENTARY

FINANCIAL REVIEW

The comparative year included a once off income receipt of R79,4 million. On exclusion of this income, headline earnings per share increased by 17% to 64,17 cents. This growth was achieved through an increase in gross profit margins from 6,45% to 6,70% on revenue of R19 billion, overhead escalation contained at 3% and the effect of the reduction in issued shares resulting from the repurchase of Microsoft's 12% shareholding in December 2011.

The growth in earnings, with the South African distribution segment being the main contributor thereto, was achieved in spite of compounding losses in Mexico and a decline in the performance in the call centre operation.

The distribution of "pin-less top ups", as an alternative mechanism for the vending of prepaid airtime, continued to escalate during the current year. This shift in consumer buying patterns has an impact on the treatment of revenue generated thereon, in that only the gross profit is accounted for as revenue. This gross revenue increased from R177 million to R997 million. The effective growth in group revenue therefore equated to 6% as opposed to 1% as reported.

Commissions earned on the distribution of prepaid electricity and compounding annuity revenue generated from starter packs continued to grow exponentially.

The group capitalised on its accumulated cash resources by utilising funds to take advantage of bulk inventory purchase opportunities at favourable discount rates. This resulted in an increase in inventory holding and a commensurate decline in cash resources.

Capital and reserves accumulated to R3,2 billion, further solidifying the foundation of group resources. The net asset value at year end equated to R4,81 per share (2012: R4,32 per share).

FINANCIAL OVERVIEW

- Revenue increased to R19 billion.
- Gross profit increased by R63 million to R1,3 billion supported by margin increases from 6,45% to 6,70%.
- Overheads increased by 3%.
- EBITDA increased to R714 million equating to a growth of 6%.*
- Headline earnings increased by 9% to R425 million.*
- Headline earnings per share increased by 17% from 55,01 cents* to 64,17 cents per share.
- On inclusion of the once off comparative receipt, headline earnings per share declined by 1% from 64,65 cents to 64,17 cents.

On exclusion of the once off income receipt of R79,4 million in the comparative year.

BASIS OF PREPARATION

The summarised group annual financial statements have been derived from the group annual financial statements and were prepared in accordance with 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 group annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of South Africa. A copy of the group annual financial statements can be obtained from the company's registered office.

This financial information has 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 used in the comparative financial information for the year ended 31 May 2012, with the exception of the standards that are effective for the first time in the current year. These have been disclosed in note 1 to the annual financial statements for the year ended 31 May 2013. These standards have not had a significant impact on the financial information.

In addition, the group uses core net profit as a non-IFRS measure in evaluating its performance. This supplements the IFRS measures disclosed. 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.

The summarised group annual financial statements should be read in conjunction with the group annual financial statements which include details of all related party transactions and business combinations.

SEGMENTAL REPORT
SOUTH AFRICAN DISTRIBUTION

	2013 R'000	2012 R'000	Growth R'000	% Growth
Revenue	**18 712 080**	18 439 688	272 392	1%
Gross profit	**1 121 747**	1 059 785	61 962	6%
EBITDA	**796 439**	737 488	58 951	8%
Core net profit	**570 766**	513 130	57 636	11%
Gross profit margin	**5,99%**	5,75%		
EBITDA margin	**4,26%**	4,00%		

In the comparative year, the technology segment was reported on separately. As the bulk of its function and services are interdependent in the distribution of airtime, electricity and starter packs, it is more prudent to house its expenditure in the South African distribution segment. Accordingly, the technology segment has been included in the South African distribution segment and the comparative segmental results in this regard have been restated in accordance with IFRS 8 "Operating Segments".

Prepaid airtime, annuity revenue generated from starter packs and commissions earned on the distribution of prepaid electricity, accounted for a 1% increase in revenue. This excluded the growth of R820 million in sales of pin-less top ups, the gross profit thereon only being accounted for as revenue. Growth in revenue effectively equated to 6%.

Commissions earned on the distribution of prepaid electricity increased by R28 million (33%) to R113 million on revenue generated on behalf of utility suppliers of R7,2 billion (2012: R5,5 billion). The group acts as an agent in the distribution of prepaid electricity.

Gross profit increased by R62 million (6%), supported by margin increases from 5,75% to 5,99%. On exclusion of IFRS adjustments and in turn reflecting the true trading performance of this segment, gross profit increased by R122 million on margin growth from 5,33% to 5,90%. Of this growth of 0,57%, commissions on prepaid electricity accounted for 0,14%.

The growth in EBITDA of 8% was inclusive of the effects of IFRS adjustments. On exclusion of these adjustments in both the comparative and current years, a more representative growth of R119 million (18%) was achieved.

INTERNATIONAL DISTRIBUTION

	2013 R'000	2012 R'000	Growth R'000	% Growth
Revenue	—	17 429	(17 429)	(100%)
Gross profit	—	2 574	(2 574)	(100%)
EBITDA	**(31 000)**	(15 901)	(15 099)	(95%)
Discontinued operation				
– Africa Prepaid Services Nigeria	—	(5 493)	5 493	100%
Share of losses from associates and joint ventures	**(49 036)**	(19 182)	(29 854)	(156%)
– Ukash	**7 291**	2 228	5 063	227%
– Oxigen Services India	**(565)**	4 616	(5 181)	(112%)
– Blue Label Mexico	**(51 124)**	(24 873)	(26 251)	(106%)
– Other	**(4 638)**	(1 153)	(3 485)	(302%)
Core net loss from continuing operations	**(73 294)**	(36 563)	(36 731)	(100%)
– Equity holders of the parent	**(50 685)**	(20 943)	(29 742)	(142%)
– Non-controlling interests	**(22 609)**	(15 620)	6 989	45%
Core net loss from discontinued operation	—	(15 455)	15 455	100%
– Equity holders of the parent	—	(5 493)	5 493	100%
– Non-controlling interests	—	(9 962)	9 962	100%

Historically revenue and gross profit was generated by SharedPhone International, which was disposed of in January 2012.

Negative EBITDA of R31 million was predominantly related to the costs incurred on the ongoing litigation pertaining to Africa Prepaid Services Nigeria ("APSN").

The losses in the comparative year from discontinued operations pertained to the winding down of APSN.

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

Share of these net losses comprised the following:

Ukash

The group's share of profits in Ukash, after the amortisation of intangible assets, increased by 227% to R7,3 million. These results were achieved through organic growth in revenue by 32%, an increase in gross profit by 39% and EBITDA growth of 66%, all reported in its local currency.

Oxigen Services India

Oxigen Services India's revenue increased by R470 million (18%) to R3 billion and gross profit increased by R10 million, both reported on in SA Rands.

Operating expenses increased by R7,7 million (16%), resulting in a decline in EBITDA by R2,4 million to R11,7 million. The increase in operating expenses was largely due to the necessity to recruit 200 field sales executives, who were hired and trained during the current year in order to enable the company to reach the expansive rural and urban areas in the Indian market place. Further expenditure was incurred on the costs of the migration of PSTN to GPRS, affording wireless portable devices the capability of catering for more products at lower operating costs per terminal, as well as on the migration of the entire OSI platform to the new "Oxisecure" platform. The implementation of the Mobicash wallet with the State Bank of India to facilitate money transfers and the launching of an interbank mobile payment system together with the National Payment Corporation of India to enable money transfers by the unbanked, utilising the "Oxicash" Wallet, also necessitated additional operating expenses.

After accounting for depreciation of R10 million, NPAT declined from R4,9 million to R1,3 million. The group's share of profits of R0,7 million equated to a decline on the prior year by R2,2 million. Amortisation of intangibles amounting to R1,3 million resulted in a net share of losses of R0,6 million. In the comparative year, the group's share of profit, after the amortisation of intangibles, amounted to R4,6 million inclusive of a consolidation adjustment of R2,9 million. This adjustment had no impact on the trading performance of Oxigen Services India during that year.

Blue Label Mexico

In the comparative year, Blue Label Mexico ("BLM") incurred losses of R60 million after the amortisation of intangible assets, of which the group's 40% share equated to R24,9 million. In spite of revenue growth of 103% in the current year, losses in BLM escalated to R113 million, of which the group's share equated to R51,1 million.

The increase in losses was attributable to margin compression and a significant increase in overheads. Furthermore, the group increased its shareholding from 40% to 45% during the course of the financial year and in turn the group assumed an additional 5% share of these losses.

The decline in gross profit margins was attributable to a reduction in discounts afforded by Telcel, Mexico's predominant network operator, which controls approximately 70% of the Mexican market. Telcel, however, would reinstate the previous margins afforded to BLM, plus additional discounts, on the proviso that BLM would contractually agree to become an exclusive distributor on their behalf. Accordingly, a contract was concluded between BLM and Telcel on 1 April 2013 giving effect to this new arrangement.

The increase in overheads was congruent with BLM's strategy to gear-up as a national distributor. This process also required the procurement of additional point-of-sale devices in anticipation of a national roll out. This in turn had a negative impact on depreciation by 58% in local currency, which equated to 78% on conversion to Rand.

Although the above initiatives proved costly, during the current year, BLM is now positioned to roll out nationally, offering more favourable discounts, with a solid foundation in place to support national distribution.

MOBILE

	2013 R'000	2012 R'000	Growth R'000	% Growth
Revenue	**151 420**	87 244	64 176	74%
Gross profit	**95 134**	66 059	29 075	44%
EBITDA	**37 055**	97 359	(60 304)	(62%)
Core net profit	**24 787**	73 962	(49 175)	(66%)

This segment comprises Cellfind, Blue Label One, Content Connect Africa, Blue Label Engage and Panacea Mobile. Content Connect Africa was disposed of in September 2012 and Panacea Mobile and Blue Label Engage were acquired during the current year.

The growth in revenue by 74% to R151 million was mainly attributable to the introduction of bulk SMS facilitation by Cellfind and Panacea Mobile. This resulted in the commensurate growth in gross profit by 44% to R95 million.

EBITDA for the comparative year included the once off income receipt of R79,4 million. On exclusion of this receipt, EBITDA increased by R19 million (106%) to R37 million. On the same basis core net profit increased by R20 million after taxation thereon.

SOLUTIONS

	2013 R'000	2012 R'000	Growth R'000	% Growth
Revenue	**120 710**	171 029	(50 319)	(29%)
Gross profit	**54 364**	79 505	(25 141)	(32%)
EBITDA	**24 703**	38 927	(14 224)	(37%)
Core net profit	**13 190**	21 324	(8 134)	(38%)

The Solutions segment houses Blue Label Data Solutions ("BLDS"), Velociti and CNS Call Centre.

BLDS, which markets data and analytical products and services increased its revenue by R10 million (19%) and gross profit by R4 million (12%), resulting in a contribution of R19 million towards group core net profit. This positive contribution was negated by core net losses of R8 million incurred by Velociti.

Velociti's losses were incurred as a result of a significant decline in outbound campaigns. It is the intention to increase the volume of inbound activity in order to compensate for outbound declines.

CORPORATE

	2013 R'000	2012 R'000	Growth R'000	% Growth
EBITDA	**(113 575)**	(107 391)	(6 184)	(6%)
Core net loss	**(120 542)**	(126 183)	5 641	4%

The increase in negative EBITDA was attributable to a loan impairment of R6,3 million. The decline in core net loss was mainly due to the change in legislation applicable to Secondary Tax on Companies ("STC"). No STC was payable on the dividends declared in the current year, whereas STC on dividends declared in the comparative year amounted to R11 million.

DEPRECIATION, AMORTISATION AND IMPAIRMENT CHARGES

Depreciation, amortisation and impairment charges declined by R24 million.

There was no impairments to goodwill in the current year as opposed to R4,7 million required in the comparative year.

The impairment of point-of-sale devices declined from R12,8 million to R3,4 million and the amortisation of intangible assets in terms of purchase price allocations declined by R6,9 million in line with the expiration of useful tenure.

Depreciation on the remainder of the assets decreased by R3 million.

NET FINANCE INCOME

Finance costs

Finance costs totalled R167 million, of which R24 million related to interest paid on borrowed funds and R143 million to imputed IFRS interest adjustments on credit received from suppliers. On a comparative basis, interest paid on borrowed funds was R3 million and the imputed IFRS interest adjustment equated to R178 million. The increase in interest paid on borrowed funds was attributable to bulk inventory purchase transactions of which facilities were utilised and repaid during the year.

Finance income

Finance income totalled R173 million, of which R45 million was for interest received on cash resources and R128 million pertaining to IFRS adjustments. On a comparative basis interest received on cash resources amounted to R60 million and the imputed IFRS interest adjustment R111 million. The decline in interest received on cash resources was in line with the utilisation of funds on hand for bulk inventory purchase transactions and partly due to a reduction in interest rates by 0,5% from July 2012.

STATEMENT OF FINANCIAL POSITION

Total assets increased by R785 million, of which R347 million was attributable to growth in non-current assets and R438 million in current assets.

The movement of intangible assets and goodwill by R200 million related to acquisitions to the extent of R34 million, the cost of annuity driven starter pack and post paid bases totalling R264 million, less disposals and amortisation of R18 million and R79 million respectively.

The increase in investment in associates and joint ventures totalling R167 million was due to further investment into Blue Label Mexico of R110 million, the impact of foreign currency translation reserves of R80 million, set off by net losses of R47 million incurred by these companies.

The movement in current assets by R438 million was mainly due to an increase in inventories by R1,3 billion which was attributable to bulk purchase transactions, causing a decline in cash resources by R1 billion. Although the stock turn consequently increased from an historical average of 11 days to 38 days, the discount afforded thereon justified the excess in inventory holding.

Accounts receivable increased by R152 million, maintaining the debtors collection period at 27 days.

The net profit of R425 million less a dividend of R155 million and a movement of R88 million in foreign exchange translation reserves were the main contributors to the growth in capital and reserves.

Trade and other payables increased by R462 million with average creditors days increasing from 37 days to 46 days.

STATEMENT OF CASH FLOWS

Cash flows of R432 million were generated from operating activities before accounting for the movement in inventory and accounts payable directly attributable to bulk purchasing transactions. There was a negative generation of cash flow of R440 million after accounting for the bulk purchase transactions.

A further R406 million was applied to investing activities, of which R110 million related to an additional investment in BLM, R264 million to the acquisition of the annuity bases, R26 million to capital expenditure and R3 million to acquisitions.

After the payment of dividends of R159 million to shareholders and non-controlling interest and the acquisition of treasury shares for R17 million, the cash on hand at year end amounted to R941 million.

FORFEITABLE SHARE SCHEME

Forfeitable shares totalling 3 496 103 (2012: 4 828 644) were issued to qualifying employees. During the year 1 285 962 (2012: 1 067 904) shares were forfeited and 2 700 513 (2012: 311 637) shares vested.

DIVIDEND NO 4

The group's current dividend policy is to declare an annual dividend. On 18 August 2013, the board approved and declared a gross ordinary dividend (number 4) of 25 cents per ordinary share (21,25 cents per ordinary share net of dividend withholding tax) for the year ended 31 May 2013. This dividend of R168 627 261, inclusive of withholding tax, equates to a 2,52 cover on headline earnings. The dividend for the year ended 31 May 2013 has not been recognised in the financial statements as it was declared after this date.

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

The salient dates are as follows:

Last date to trade *cum* dividend	Friday, 6 September 2013
Shares commence trading *ex* dividend	Monday, 9 September 2013
Record date	Friday, 13 September 2013
Payment of dividend	Monday, 16 September 2013

Share certificates may not be dematerialised or rematerialised between Monday, 9 September and Friday, 13 September 2013, both days inclusive.

PROSPECTS

A diverse range of customer engagement initiatives concerning membership and loyalty programmes has been developed. This will enable delivery to the market of unique turnkey customer engagement solutions that will generate multiple annuity based revenue streams through supporter engagement programmes. These programmes will include communications, events, access-control, ticketing and concessionary services that enhance service value to supporters. In this regard five year contracts have been concluded with both Cricket SA and The Blue Bulls Rugby Company.

A ticketing engine has recently been acquired which will enable the end user to acquire tickets for sporting and entertainment events as well as transport services through the group's distribution capabilities and vast points of presence.

Innovative financial services products, aimed at bringing financial inclusion and transactional value to customers, will be implemented. These initiatives will include debit and credit card processing through the existing extensive point-of-sale network. These additional financial services products complement the group's existing prepaid products and services and enhance the value-proposition to the merchants and their customers.

The recent acquisitions of a post paid contract base and prepaid starter pack bases is expected to compound the annuity revenue generated from the existing bases within the group.

SMS aggregation is expected to continue to gain further momentum following the successful development of technology by Panacea Mobile to support this service.

Consumer awareness of the benefits of prepaid electricity is expected to continue to escalate and in turn compound the commissions earned on the distribution of this product.

Blue Label Mexico intends to roll out point-of-sale devices incorporating banking transactional capabilities on the devices. It is the intention to aggressively implement this initiative, utilising the extensive distribution network of our partner, Grupo Bimbo.

SUBSEQUENT EVENTS

In June 2013, the group secured a distribution agreement with a leading reseller at a purchase price of R84 million. This is expected to further enhance the group's prominence in the distribution of prepaid services.

Subsequent to year end, dividend number 4 was declared and approved by the board.

LITIGATION UPDATE

In December 2008 Africa Prepaid Services (Pty) Ltd ("APS"), a subsidiary of Blue Label concluded a super dealer agreement with Multi-Links Telecommunications Limited ("MLT"), a wholly owned subsidiary of Telkom, at the time, in terms of which APS was appointed for a period of 10 years to market and distribute a range of products and services for MLT in Nigeria ("the agreement").

In 2009 APS ceded and assigned all its rights and obligations in terms of the agreement to Africa Prepaid Services Nigeria Limited ("APSN"), a subsidiary of APS and Blue Label.

On 26 November 2010 APSN cancelled the agreement on the basis of MLT's wrongful repudiation of the agreement.

In June 2011 APSN launched arbitration proceedings in South Africa against MLT ("the arbitration proceedings"). APSN claims payment of US$457 million against MLT and MLT has counterclaimed for payment of the sum of US$123 million.

Telkom sold its shareholding in MLT to Hip Oils Topco Limited on 3 October 2011. In terms of an indemnity contained in the sale and purchase agreement, Telkom is liable for all amounts in excess of US$10 million in respect of APSN's claim against MLT.

The arbitration was due to commence in November 2012 but was postponed and is due to reconvene in February 2014.

Telkom and MLT have instituted an action in the High Court against Blue Label, APS, APSN and certain individuals, including a former senior executive of Telkom in the High Court for payment of an aggregate amount of US$724 million ("the action").

The claim in the action is based, inter alia, on an alleged breach of the duty of care and alleged misrepresentations made by Blue Label together with alleged breaches of fiduciary duties on the part of the former senior Telkom executive, at the time the agreement was concluded, in respect of which it is alleged Blue Label was a party to.

On 16 May 2013 Telkom and MLT obtained an order without notice to APSN in terms of which APSN's claim against MLT in the arbitration proceedings together with a costs order in APSN's favour were purportedly attached in order to give the High Court jurisdiction over APSN in the action ("the ex parte order").

Telkom and MLT have conceded that there was no basis for the attachment and have abandoned the ex parte order. APSN is seeking a punitive order for costs against Telkom and MLT, which was set down for a hearing commencing on 19 August 2013. The High Court will simultaneously determine an application which has been launched by MLT to stop the arbitration proceedings, which is being opposed by APSN.

At the time of going to print the outcome of these proceedings is yet to be pronounced upon by the court. A further announcement will be made when the court delivers its judgement.

INDEPENDENT AUDIT

PricewaterhouseCoopers Inc.'s unqualified audit reports on the group annual financial statements and the summarised group annual financial statements for the year ended 31 May 2013 are available for inspection at the company's registered office. Any reference to future financial performance in this announcement has not been audited or reported on by PricewaterhouseCoopers Inc.

APPRECIATION

The board of Blue Label Telecoms once again expresses 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	**BM Levy and MS Levy**	**DB Rivkind CA(SA)***	
Chairman	Joint Chief Executive Officers	Financial Director	18 August 2013

**Supervised the preparation and review of the group's audited year end results.*

BLUE LABEL TELECOMS

Directors: LM Nestadt (Chairman)*, BM Levy, MS Levy, KM Ellerine*, GD Harlow*, NN Lazarus SC*, JS Mthimunye*, MV Pamensky, DB Rivkind, J Vilakazi* (*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: 10:1

Depository: The Bank of New York, 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