



**BLUE LABEL**  
TELECOMS

**Audited results for the year ended  
31 May 2015**





**Increase** in revenue of 14% to **R22 billion**



**Increase** in gross profit of 22% to **R1.64 billion**



**Increase** in gross profit margins from 6.96% to **7.46%**



**Increase** in EBITDA of 37% to **R1.08 billion**



**Increase** in headline earnings per share of 21% to **82.26 cents**



**Increase** in core earnings per share of 29% to **89.71 cents**



**Increase** in dividend declared of 15% to **31 cents** per share

Headline earnings per share increased by 21% to 82.26 cents, net of the Group's share of losses of R85 million in Blue Label Mexico which equated to 12.82 cents per share. The remaining businesses within the Group contributed 95.08 cents to headline earnings per share.

The increase in headline earnings was achieved through organic growth in the South African distribution segment, assisted by the acquisitions of Retail Mobile Credit Specialists Proprietary Limited (RMCS) and Viamedia Proprietary Limited (Viamedia).

The growth in earnings was primarily attributable to increases in revenue of 14%, gross profit of 22% and EBITDA of 37%. Gross profit margins increased from 6.96% to 7.46%. Organic growth was achieved through the expansion of the Group's bouquet of offerings to its escalating multitude of distribution channels.

Core earnings, which increased by 30% to R597 million, represent the earnings of the Group after adjusting for the amortisation of intangible assets net of taxation and non-controlling interests as a consequence of purchase price allocations in terms of IFRS 3(R): Business Combinations. Core earnings reflect the underlying financial performance of the Group.

The statement of financial position remains robust and liquid, with accumulated equity increasing to R3.9 billion, net of accumulated dividends paid to date totalling R704 million. Net asset value equated to R5.79 per share.

## 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 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 Group annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, No 71 of 2008. A copy of the Group annual financial statements can be obtained from the Company's registered office at no charge.

This financial information has been prepared in accordance with the going concern principle, under the historical cost convention, except for certain financial and equity instruments 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 2014, 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 Group annual financial statements for the year ended 31 May 2015. 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 arises 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.

## SEGMENTAL REPORT

### South African distribution

	2015 R'000	2014 R'000	Growth R'000	% Growth
Revenue	21 657 891	19 103 652	2 554 239	13
Gross profit	1 444 730	1 180 376	264 354	22
EBITDA	1 038 252	821 310	216 942	26
Core net profit	684 756	558 996	125 760	22
Gross profit margin	6.67%	6.18%		
EBITDA margin	4.79%	4.30%		

The increase in revenue by 13% was predominantly achieved through access to additional channels of distribution. Revenue generated on "PINless top-ups" increased by R966 million from R1.7 billion to R2.7 billion. As only the commission earned thereon is accounted for, the effective growth in Group revenue equated to 17%.

Net commissions earned on the distribution of prepaid electricity increased by R31 million to R165 million (23%) on revenue of R10.4 billion generated on behalf of an escalating base of utilities.

The gross profit increase of 22% was achieved after inclusion of imputed IFRS interest adjustments. On exclusion of these adjustments for both the current and the comparative year, gross profit increased by R279 million, equating to an effective growth of 24%. Similarly the impact on gross profit margins on exclusion of imputed IFRS interest adjustments equated to a growth from 5.97% to 6.54%.

The growth in EBITDA of 26% was inclusive of the effects of imputed IFRS interest adjustments. On exclusion of these adjustments, growth of R231 million was achieved, equating to a 29% growth, with EBITDA margins increasing from 4.10% to 4.67%.

Core net profit increased by R126 million to R685 million (22%).

### International distribution

	2015 R'000	2014 R'000	Growth R'000	% Growth
EBITDA	35 379	(13 961)	49 340	353
Share of (losses)/profits from associates and joint ventures	(81 269)	(56 249)	(25 020)	(44)
– Ukash	12 004	14 089	(2 085)	(15)
– Oxigen Services India	2 619	(3 259)	5 878	180
– Blue Label Mexico	(88 508)	(60 844)	(27 664)	(45)
– Other	(7 384)	(6 235)	(1 149)	(18)
Core net loss	(54 646)	(59 987)	5 341	9
– Equity holders of the parent	(46 958)	(47 862)	904	2
– Non-controlling interests	(7 688)	(12 125)	4 437	37

The group disposed of its interest in Ukash at the end of March 2015. This profit on disposal increased EBITDA by R37 million. The balance of the growth was attributable to a decline in expenditure incurred by Africa Prepaid Services Nigeria (APSN). Legal fees declined from R20.9 million to R9.4 million. These costs will not perpetuate as litigation matters have been settled.

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

#### Ukash

The Group's share of profits in Ukash, after the amortisation of intangible assets, declined by 15% from R14 million to R12 million. This decline was attributable to the Group having sold its interest in Ukash after 10 months of trading in the current financial year.

#### Oxigen Services India

There was a turnaround of the Group's share of losses of R3.3 million in the comparative year to a share of profits equating to R2.6 million in the current year, after the amortisation of intangible assets. This positive turnaround was attributable to increases in revenue by 15% and gross profit by 21%, reported in their local currency.

#### Mobile

	2015 R'000	2014 R'000	Growth R'000	% Growth
Revenue	240 168	152 618	87 550	57
Gross profit	136 773	109 756	27 017	25
EBITDA	51 359	34 273	17 086	50
Core net profit	28 559	24 904	3 655	15

The benefits of Oxigen Services India's defined strategy of becoming India's first non-banked mobile wallet that empowers the unbanked masses to instantly transfer and receive cash across the entire country continues to gain momentum. This has been primarily due to its focus on money transfer services without detracting from its traditional airtime sales.

Daily money transfer deposits have increased from USD2.3 million per day as at 31 May 2014 to USD3.3 million per day as at 31 May 2015, this increased exponentially through its connectivity with the National Payment Corporation of India.

#### Blue Label Mexico

In the comparative year, Blue Label Mexico incurred losses of R131 million. The Group's share thereof equated to R61 million after the amortisation of intangible assets. In the current year, Blue Label Mexico's losses increased to an equivalent of R186 million, of which the Group's share equated to R89 million.

In spite of revenue increasing by 23%, the main reasons for further losses were attributable to continued margin compression and an increase in overhead costs. The increase in overheads was necessitated by the need for enhanced post-sale customer support as well as systems fortification.

This segment comprises Cellfind, Panacea Mobile, Blue Label Engage, Blue Label One, Simigenix and the recently acquired Viamedia.

Viamedia, which was acquired with effect from 1 September 2014, together with Blue Label One made positive contributions to growth in EBITDA and core net profit.

Their contributions to EBITDA growth were R46 million and R8 million respectively. Their combined contributions were offset by negative growth in EBITDA of R37 million in the balance of the companies comprising this segment.

Margin compression on bulk SMS distribution by Cellfind and Panacea was the main factor causing their negative contributions to growth.

At core net profit level, positive contributions to growth by Viamedia of R26 million and Blue Label One by R5.5 million were negated by net negative growth contributions of R27.8 million by the balance of the companies comprising this segment.

Blue Label Engage was disposed of in December 2014 and Blue Label One has been restructured into a more efficient operation through the closure of loss-making divisions.

## Solutions

	2015 R'000	2014 R'000	Growth R'000	% Growth
Revenue	<b>146 163</b>	145 396	767	1
Gross profit	<b>62 837</b>	59 402	3 435	6
EBITDA	<b>40 831</b>	29 257	11 574	40
Core net profit	<b>23 975</b>	12 547	11 428	91

The Solutions segment houses Blue Label Data Solutions (BLDS), Forensic Intelligence Data Solutions (FIDS), Datacision, Blue Label Call Centre, Datacel Direct, Velociti and CNS Call Centres.

BLDS contributed R32.8 million to EBITDA and the call centre operations R8 million. The latter contributed R3.4 million in the prior year.

Contributions of R19.2 million and R5.5 million to core net profit were generated by BLDS and the call centre operations respectively. In the comparative year, BLDS made a positive contribution of R13 million while the call centre operations contributed a nominal R0.3 million to core net profit.

The remaining companies contributed a negative R0.7 million to core net profit.

## Corporate

	2015 R'000	2014 R'000	Growth R'000	% Growth
EBITDA	<b>(85 656)</b>	(82 886)	(2 770)	(3)
Core net loss	<b>(93 754)</b>	(87 983)	(5 771)	(7)

The increases in negative EBITDA and core net loss were primarily attributable to bonuses granted to senior executives who did not receive bonuses in the prior year, partially offset by a once-off income receipt.

### DEPRECIATION, AMORTISATION AND IMPAIRMENT CHARGES

Depreciation, amortisation and impairment charges increased by R29 million of which R16 million emanated from the acquisitions of RMCS and Viamedia. Of this amount, R13 million pertained to the purchase price allocation amortisation of intangibles.

### NET FINANCE COSTS

#### Finance costs

Finance costs totalled R233 million, of which R68 million related to interest paid on borrowed funds and R165 million to imputed IFRS interest adjustments on credit received from suppliers. On a comparative basis, interest paid on borrowed

funds amounted to R23 million and the imputed IFRS interest adjustment equated to R144 million. Interest paid on borrowed funds was attributable to the cost of financing bulk inventory purchase transactions and early settlement payments attracting discounts, for which facilities were utilised and repaid during the current year.

#### Finance income

Finance income totalled R173 million, of which R31 million was attributable to interest received on cash resources and R142 million to imputed IFRS interest adjustments. On a comparative basis, interest received on cash resources amounted to R39 million and the imputed IFRS interest adjustment to R117 million. The decline in interest received on cash resources was attributable to the utilisation of funds on hand for the payment of dividends, acquisitions, bulk inventory purchase transactions and early settlement discounts.



## STATEMENT OF FINANCIAL POSITION

Total assets increased by R524 million to R7 billion, of which growth in non-current assets accounted for R242 million and current assets for R282 million.

The net increase in non-current assets was mainly attributable to a net growth in intangible assets and goodwill totalling R249 million, to capital expenditure net of depreciation of R9 million and to loans receivable of R11 million. These increases were offset by a net decline in investment in associates and joint ventures of R50 million.

The net increase in intangible assets and goodwill mainly pertained to the acquisition of Viamedia, in which goodwill equated to R186 million and intangibles R63 million. A further R125 million was incurred for the purchase of software, development costs, starter pack bases and distribution channels. Amortisation of intangibles amounted to R122 million.

The net decline in investment in associates and joint ventures was predominantly due to the disposal of the Group's interest in Ukash amounting to R94 million, a share of net losses of R79 million and a negative impact of R10 million in foreign currency translation reserves. These declines were offset by an additional R50 million capital contribution to Blue Label Mexico and a contingent purchase consideration of R30 million for the acquisition of an effective 37.5% shareholding in the Supa Pesa group. Movements in loans equated to a further R53 million, comprising loans granted of R13 million, interest capitalised of R14 million and unrealised foreign exchange gains of R26 million.

The net increase in current assets mainly comprised an increase in accounts receivable of R530 million and an increase in inventories of R127 million in line with bulk inventory purchases. Cash resources declined by R396 million congruent with the application of cash to fund the increase in assets and payment of dividends.

In spite of an increase in inventory of R127 million, the stock turn improved from 35 days reported at the interim reporting date to 26 days at year end. The discount afforded on bulk inventory purchases justified the quantum of inventory held.

The debtor's collection period increased from 44 days reported at the interim reporting date to 46 days at year end.

The net profit attributable to equity holders of R578 million, less a dividend of R182 million, resulted in retained earnings accumulating to R2.6 billion.

Trade and other payables increased by R105 million with credit terms averaging 53 days.

## STATEMENT OF CASH FLOWS

Cash flows from operating activities amounted to R132 million net of the funding of additional working capital requirements of R657 million.

Cash flows applied to investing activities amounted to R329 million. Of this amount R50 million related to the additional investment in Blue Label Mexico, R13 million to loans to associates, R157 million to the acquisition of

Viamedia, R125 million to the purchase of intangible assets, R10 million to net loans granted, R53 million to capital expenditure and R20 million to the settlement of contingent purchase considerations for RMCS and Panacea Mobile. The above funds applied to investing activities were partially offset by proceeds received of R95 million on the disposal of Ukash.

After applying R19 million to the acquisition of treasury shares and a dividend payment of R187 million to shareholders and non-controlling interests, the balance of cash on hand amounted to R788 million.

Although cash on hand declined by R402 million, inventory of R1.4 billion is a highly liquid commodity.

## FORFEITABLE SHARE SCHEME

Forfeitable shares totalling 2 937 836 (2014: 2 782 541) were issued to qualifying employees. During the period 419 998 (2014: 1 074 880) shares were forfeited and 3 819 409 (2014: 3 629 922) shares vested.

## DIVIDEND NUMBER 6

The Group's current dividend policy is to declare an annual dividend. On 18 August 2015, the board approved a gross ordinary dividend (number 6) of 31 cents per ordinary share (26.35 cents per ordinary share net of dividend withholding tax) for the year ended 31 May 2015. This dividend of R209 097 803, inclusive of withholding tax, equates to a 2.62 cover on headline earnings. The dividend for the year ended 31 May 2015 has not been recognised in the financial statements as it was declared after this date.

The dividend has been declared from income reserves. The Company has no secondary tax on companies credits available. The issued share capital at the declaration date was 674 509 042 ordinary shares. The Company's income tax reference number is 9062246179.

Last date to trade cum dividend	Friday, 4 September 2015
Shares commence trading ex dividend	Monday, 7 September 2015
Record date	Friday, 11 September 2015
Payment of dividend	Monday, 14 September 2015

Share certificates may not be dematerialised or rematerialised between Monday, 7 September 2015 and Friday, 11 September 2015, both days inclusive.

Before declaring the final dividend the board applied the solvency and liquidity test on the Company and reasonably concluded that the Company will satisfy the solvency and liquidity test immediately after payment of the final dividend. The final dividend will be paid 26 days after the directors have performed the solvency and liquidity testing.

Dividends tax is provided for at 15% of the amount of any dividend paid by Blue Label Telecoms, subject to certain exemptions. The dividends tax is a tax borne by the beneficial owner of the dividend and will be withheld by either the issuer of the dividend or by regulated intermediaries.

## LITIGATION UPDATE

The arbitration proceedings between APSN and the former subsidiary of Telkom SA SOC Limited (Telkom), Multi-Links Telecommunications Limited (Multi-Links) have been settled.

The litigation action in the High Court of South Africa between Telkom and Multi-Links, on the one hand, and Blue Label, Africa Prepaid Services, APSN and certain individuals, on the other, has been settled.

In terms of the settlement agreement all claims and counterclaims have been withdrawn and all of the parties have agreed that they will have no further claims against one another arising out of the disputes forming the subject of both the arbitration proceedings and the action, including any claims for costs.

## PROSPECTS

Oxigen Services India applied for a payments bank licence to the Reserve Bank of India (RBI) in February 2015. This application was submitted after extensive prior piloting of processes in conjunction with RBI. The latter is expected to announce the names of successful applicants by the end of August 2015. This will supplement its current domestic remittance offering with cash-out and international remittance capabilities without having to utilise third-party licence holders. Transaction fees will be enhanced by the above capabilities.

Oxigen has been appointed the sole successful bidder in the global bid of Indian Banks' Association, for its proprietary "super" point-of-sale terminals. These micro ATM terminals will be deployed in conjunction with the banks, resulting in an accelerated footprint expansion in the rural areas. Oxigen's recharge, bill payment and wallet services, will be available through these terminals.

Blue Label Mexico has commenced the distribution of prepaid starter packs. Given its vast distribution capabilities, it is well placed to generate monthly compounded annuity revenue thereon.

Towards the end of the financial year, BLT and the Edcon group entered into an initiative whereby a company was formed to establish stand-alone retail outlets under the brand "Edgars Connect". This will create an ideal platform for BLT to implement its strategy of marketing its products and services on a retail basis.

The prevalence of prepaid water meters continues to emulate the prepaid electricity model. Installation of meters by third parties, supported by state-of-the-art software, has enabled Blue Label to enter into the prepaid water arena. Vouchers are purchased by consumers at the multitude of points of presence that it has established. Existing relationships with several municipalities is expected to result in increased growth in this initiative.

South African distribution has enhanced its bouquet of products to include mobile handsets and tablets. This initiative is expected to gain significant momentum going forward.

TicketPro continues to increase its range of ticketing and access control services and solutions. Its technology offering and distribution reach provide it with a competitive edge, as it steadily grows market share.

The Group's distribution footprint is perfectly positioned to offer a money transfer solution that will provide reach across all sectors of the South African economic landscape.

## SUBSEQUENT EVENTS

Subsequent to year end, dividend number 6 was declared and approved by the board.

Shareholders are advised that Mr Y Mahomed has been appointed as an independent non-executive director to the board with effect from 18 August 2015. Mr Y Mahomed was previously a founding member of 3C Telecommunications Proprietary Limited, the holding company of Cell C Proprietary Limited (Cell C). He was a director of Cell C until June 2015.

## 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 2015 are available for inspection at the Company's registered office. This announcement which sets out the annual results for Blue Label Telecoms Limited for the year ended 31 May 2015 contains "forward-looking statements", which have not been audited or reported on by the Group's auditors, with respect to the Group's financial condition, results of operations and businesses and certain of the Group's plans and objectives.

## 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*

19 August 2015

*\*Supervised the preparation and review of the Group's audited year-end results.*



## TO THE SHAREHOLDERS OF BLUE LABEL TELECOMS LIMITED

The summarised Group financial statements of Blue Label Telecoms Limited, set out on pages 38 to 46 of the Audited results for the year ended 31 May 2015, which comprise the summary consolidated statement of financial position as at 31 May 2015, and the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Blue Label Telecoms Limited for the year ended 31 May 2015. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 18 August 2015. Our auditor's report on the audited consolidated financial statements contained an Other Matter paragraph: "Other reports required by the Companies Act" (refer below).

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of Blue Label Telecoms Limited.

### **DIRECTORS' RESPONSIBILITY FOR THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS**

The directors are responsible for the preparation of a summary of the audited consolidated financial statements in accordance with the JSE Limited's (JSE) requirements for summary financial statements, as set out in the Basis of preparation paragraph on page 32 of the Audited results for the year ended 31 May 2015, and the requirements of the Companies Act of South Africa as applicable to summary financial statements, and for such internal control as the directors determine is necessary to enable the preparation of summary consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."

### **OPINION**

In our opinion, the summarised Group financial statements derived from the audited consolidated financial statements of Blue Label Telecoms Limited for the year ended 31 May 2015 are consistent, in all material respects, with those consolidated financial statements, in accordance with the JSE's requirements for summary financial statements, as set out in the Basis of preparation paragraph on page 32 of the Audited results for the year ended 31 May 2015, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

### **OTHER REPORTS REQUIRED BY THE COMPANIES ACT**

The "Other reports required by the Companies Act" paragraph in our audit report dated 18 August 2015 states that as part of our audit of the consolidated financial statements for the year ended 31 May 2015, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements. These reports are the responsibility of the respective preparers. The paragraph also states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the summary consolidated financial statements or our opinion thereon.

*PricewaterhouseCoopers Inc.*

**PricewaterhouseCoopers Inc.**

Director: D Storm  
Registered Auditor  
Johannesburg  
18 August 2015

# SUMMARISED GROUP STATEMENT OF FINANCIAL POSITION

As at 31 May

	2015 R'000	2014 R'000
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>2 040 214</b>	1 798 307
Property, plant and equipment	106 684	97 200
Intangible assets and goodwill	1 254 893	1 005 934
Investment in and loans to associates and joint ventures	548 572	598 109
Loans receivable	29 733	18 501
Starter pack assets	4 449	2 307
Trade and other receivables	65 085	51 604
Deferred taxation assets	30 798	24 652
<b>Current assets</b>	<b>4 986 606</b>	4 704 580
Inventories	1 433 104	1 306 206
Loans receivable	44 569	27 850
Starter pack assets	1 938	1 010
Trade and other receivables	2 712 165	2 181 973
Current tax assets	6 419	3 410
Cash and cash equivalents	788 411	1 184 131
<b>Total assets</b>	<b>7 026 820</b>	6 502 887
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>	<b>3 917 981</b>	3 523 989
Share capital, share premium and treasury shares	3 943 888	3 945 832
Restructuring reserve	(1 843 912)	(1 843 912)
Other reserves	108 543	138 798
Share-based payment reserve	39 297	33 660
Transaction with non-controlling interest reserve	(965 861)	(957 230)
Retained earnings	2 622 558	2 222 685
Non-controlling interest	13 468	(15 844)
<b>Non-current liabilities</b>	<b>197 673</b>	92 400
Deferred taxation liabilities	54 451	41 510
Trade and other payables	143 222	50 178
Provisions	—	712
<b>Current liabilities</b>	<b>2 911 166</b>	2 886 498
Trade and other payables	2 831 000	2 818 898
Provisions	21 491	23 777
Current tax liabilities	42 588	28 733
Borrowings	16 087	15 090
<b>Total equity and liabilities</b>	<b>7 026 820</b>	6 502 887

# SUMMARISED GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 May

	2015 R'000	2014 R'000
<b>Revenue</b>	<b>22 044 222</b>	19 401 666
Other income	99 972	26 692
Change in inventories of finished goods	(20 399 882)	(18 052 132)
Employee compensation and benefit expense	(407 448)	(332 542)
Depreciation, amortisation and impairment charges	(94 019)	(65 137)
Other expenses	(256 699)	(255 691)
<b>Operating profit</b>	<b>986 146</b>	722 856
Finance costs	(233 165)	(166 876)
Finance income	173 047	156 250
Share of loss from associates and joint ventures	(79 338)	(56 873)
<b>Net profit before taxation</b>	<b>846 690</b>	655 357
Taxation	(265 497)	(206 442)
<b>Net profit for the year</b>	<b>581 193</b>	448 915
<b>Other comprehensive income:</b>		
<b>Items reclassified to profit or loss</b>		
Foreign currency translation reserve reclassified to profit or loss	(18 467)	—
<b>Items that may be subsequently reclassified to profit or loss</b>		
Share of other comprehensive income of associates and joint ventures	(10 497)	26 099
Foreign exchange profits on translation of foreign operations	5 863	(462)
<b>Other comprehensive (loss)/profit for the year, net of tax</b>	<b>(23 101)</b>	25 637
<b>Total comprehensive income for the year</b>	<b>558 092</b>	474 552
<b>Net profit for the year attributable to:</b>	<b>581 193</b>	448 915
Equity holders of the parent	577 617	450 230
Non-controlling interest	3 576	(1 315)
<b>Total comprehensive income for the year attributable to:</b>	<b>558 092</b>	474 552
Equity holders of the parent	549 691	475 889
Non-controlling interest	8 401	(1 337)

	2015 R'000	2014 R'000
<b>Earnings per share for profit attributable to equity holders (cents)</b>		
Basic earnings per share (cents)	86.86	67.88
Diluted earnings per share** (cents)	85.03	66.86
Dividend per share (cents)	27.00	25.00
Weighted average number of shares	665 029 849	663 298 476
Diluted weighted average number of shares	672 702 231	672 311 571
Number of shares in issue	674 509 042	674 509 042
<b>Headline earnings per share (cents)</b>	<b>82.26</b>	67.98
<b>Diluted headline earnings per share** (cents)</b>	<b>80.49</b>	66.96
Reconciliation between net profit and core net profit for the year:		
Net profit for the year attributable to equity holders of the parent	577 617	450 230
Amortisation on intangible assets raised through business combinations net of tax and net of non-controlling interest	18 961	10 372
Core net profit for the year	596 578	460 602
Core earnings per share (cents)*	89.71	69.44

\* 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 CHANGES IN EQUITY

	Share capital, share premium and treasury shares R'000	Retained earnings R'000
Balance as at 31 May 2013	3 939 891	1 941 082
Net profit for the year	—	450 230
Other comprehensive income	—	—
<b>Total comprehensive income</b>	<b>—</b>	<b>450 230</b>
Dividends paid	—	(168 627)
Treasury shares purchased	(11 120)	—
Equity compensation benefit scheme shares vested	17 061	—
Equity compensation benefit movement	—	—
Share of equity movement in associates	—	—
Transaction with non-controlling interest reserve movement	—	—
Non-controlling interest movement	—	—
<b>Balance as at 31 May 2014</b>	<b>3 945 832</b>	<b>2 222 685</b>
<b>Net profit for the year</b>	<b>—</b>	<b>577 617</b>
<b>Other comprehensive income</b>	<b>—</b>	<b>—</b>
<b>Total comprehensive income</b>	<b>—</b>	<b>577 617</b>
<b>Dividends paid</b>	<b>—</b>	<b>(182 117)</b>
<b>Treasury shares purchased</b>	<b>(19 131)</b>	<b>—</b>
<b>Equity compensation benefit scheme shares vested</b>	<b>17 187</b>	<b>—</b>
<b>Equity compensation benefit movement</b>	<b>—</b>	<b>—</b>
<b>Share of equity movement in associates</b>	<b>—</b>	<b>—</b>
<b>Associate disposed</b>	<b>—</b>	<b>3 081</b>
<b>Non-controlling interest movement</b>	<b>—</b>	<b>1 292</b>
<b>Balance as at 31 May 2015</b>	<b>3 943 888</b>	<b>2 622 558</b>

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

\*\*Includes employee compensation benefit reserve.



Restructuring reserve R'000	Other reserves* R'000	Transactions with non-controlling interest reserve R'000	Share-based payment reserve** R'000	Non-controlling interest R'000	Total equity R'000
(1 843 912)	113 139	(931 125)	39 496	(15 718)	3 242 853
—	—	—	—	(1 315)	448 915
—	25 659	—	—	(22)	25 637
—	25 659	—	—	(1 337)	474 552
—	—	—	—	(1 805)	(170 432)
—	—	—	—	—	(11 120)
—	—	—	(16 792)	(269)	—
—	—	—	10 792	277	11 069
—	—	—	77	—	164
—	—	(26 105)	—	3 760	(22 345)
—	—	—	—	(752)	(752)
<b>(1 843 912)</b>	<b>138 798</b>	<b>(957 230)</b>	<b>33 660</b>	<b>(15 844)</b>	<b>3 523 989</b>
—	—	—	—	<b>3 576</b>	<b>581 193</b>
—	<b>(27 926)</b>	—	—	<b>4 825</b>	<b>(23 101)</b>
—	<b>(27 926)</b>	—	—	<b>8 401</b>	<b>558 092</b>
—	—	—	—	<b>(4 874)</b>	<b>(186 991)</b>
—	—	—	—	—	<b>(19 131)</b>
—	—	—	<b>(16 949)</b>	<b>(238)</b>	—
—	—	—	<b>24 082</b>	<b>208</b>	<b>24 290</b>
—	—	—	<b>548</b>	—	<b>548</b>
—	<b>(2 329)</b>	—	<b>(752)</b>	—	—
—	—	<b>(8 631)</b>	<b>(1 292)</b>	<b>25 815</b>	<b>17 184</b>
<b>(1 843 912)</b>	<b>108 543</b>	<b>(965 861)</b>	<b>39 297</b>	<b>13 468</b>	<b>3 917 981</b>

# SUMMARISED GROUP STATEMENT OF CASH FLOWS

For the year ended 31 May

	2015 R'000	2014 R'000
Cash flows from operating activities	132 495	907 332
Cash flows from investing activities	(328 751)	(467 220)
Cash flows from financing activities	(205 276)	(196 892)
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(401 532)</b>	243 220
Cash and cash equivalents at the beginning of the year	1 184 131	941 282
Translation difference	5 812	(371)
<b>Cash and cash equivalents at the end of the year</b>	<b>788 411</b>	1 184 131

## HEADLINE EARNINGS

For the year ended 31 May

	2015 R'000	2014 R'000
Net profit attributable to equity holders of the parent	577 617	450 230
Net profit on disposal of property, plant and equipment	(1 225)	(207)
Profit on disposal of subsidiary	(3 962)	—
Profit on disposal of associate	(28 643)	—
Impairment of intangible assets and property, plant and equipment	3 264	866
Headline earnings	547 051	450 889
Headline earnings per share (cents)	82.26	67.98

## RELATED PARTY TRANSACTIONS

For the year ended 31 May

	2015 R'000	2014 R'000
Significant transactions and balances with related parties		
<b>Transactions with related parties</b>		
Sales	14 220	12 768
Purchases	98 830	96 524
Interest received	14 486	12 812
Rent paid	18 616	16 583
<b>Balances with related parties</b>		
Loans receivable	225 854	177 891
Amounts in trade receivables	9 178	6 880
Amounts in trade payables	7 828	5 816



Shares in the following subsidiary were acquired during the period:	Effective date of acquisition	% acquired
<b>Subsidiary</b>		
Viamedia Proprietary Limited	1 September 2014	75

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

	Total R'000
Total purchase consideration	229 157
Fair value of net assets acquired	43 190
Goodwill	185 967

<i>The assets and liabilities acquired through acquisition are as follows:</i>	Fair value at acquisition date R'000	Acquirer's carrying amount on acquisition date R'000
Bank overdraft	(13 086)	(13 086)
Property, plant and equipment	1 579	1 579
Intangible assets	62 762	1 314
Goodwill	185 967	—
Inventories	619	619
Receivables	15 800	15 800
Deferred tax	(17 066)	139
Tax receivable	19 403	19 403
Payables	(12 424)	(12 424)
Carrying/fair value of subsidiary acquired	243 554	13 344
Non-controlling interest	(14 397)	
Fair value of net assets acquired	229 157	
Total purchase consideration		229 157
Contingent consideration		(84 783)
Plus: Bank overdraft of subsidiary		13 086
Cash flow on acquisition		157 460

Viamedia Proprietary Limited (Viamedia) was purchased with the objective of affording the Group access to new channels for the distribution of both Viamedia and Group products and services.

In most business acquisitions, there is a part of the cost that is not capable of being attributed in accounting terms to identifiable assets and liabilities acquired and is therefore recognised as goodwill. In the case of the acquisition of Viamedia, this goodwill is underpinned by a number of elements, which individually cannot be quantified. Most significant among these is the opportunity that the distribution network affords the Group.

The contingent consideration arrangement requires Blue Label Telecoms Limited to pay in cash the former owner of Viamedia, an additional amount of R215.6 million if certain profit warranties are achieved. The first three amounts of R24.1 million are based on the profits of Viamedia for the year ended 31 May 2015 and years ending 31 May 2016 and 31 May 2017. The fourth and fifth amounts of R30.9 million and R112.5 million are based on the profits of Viamedia for the three years ending 31 May 2017.

The potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between Rnil and R215.6 million.

The fair value of the contingent consideration arrangement of R84.8 million was estimated by applying the income approach. The fair value estimates are based on a discount rate of 9%. For the first, second, third and fourth profit targets management has assumed a probability of 100%. For the fifth profit target management has assumed a probability of 0%. In determining these probabilities management has assessed the cash flow projections based on financial budgets approved by the board of directors for the forthcoming three years which are based on assumptions of the business, industry and economic growth.

# SEGMENTAL SUMMARY

Year ended	Total R'000	South African distribution R'000
<b>31 May 2015</b>		
<b>Total segment revenue</b>	<b>27 780 173</b>	<b>27 364 493</b>
<b>Internal revenue</b>	<b>(5 735 951)</b>	<b>(5 706 602)</b>
<b>Revenue</b>	<b>22 044 222</b>	<b>21 657 891</b>
<b>Operating profit/(loss) before depreciation, amortisation and impairment charges</b>	<b>1 080 165</b>	<b>1 038 252</b>
<b>Net profit/(loss) for the year attributable to equity holders of the parent</b>	<b>577 617</b>	<b>671 619</b>
<b>Amortisation on intangibles raised through business combinations net of tax and non-controlling interest</b>	<b>18 961</b>	<b>13 137</b>
<b>Core net profit for the year attributable to equity holders of the parent</b>	<b>596 578</b>	<b>684 756</b>
<b>At 31 May 2015</b>		
<b>Total assets</b>	<b>7 026 820</b>	<b>5 890 188</b>
<b>Net operating assets/(liabilities)</b>	<b>2 075 440</b>	<b>2 135 980</b>
31 May 2014		
Total segment revenue	25 354 475	24 837 763
Internal revenue	(5 952 809)	(5 734 111)
Revenue	19 401 666	19 103 652
Operating profit/(loss) before depreciation, amortisation and impairment charges	787 993	821 310
Net profit/(loss) for the year attributable to equity holders of the parent	450 230	552 926
Amortisation on intangibles raised through business combinations net of tax and non-controlling interest	10 372	6 070
Core net profit for the year attributable to equity holders of the parent	460 602	558 996
At 31 May 2014		
Total assets	6 502 887	5 651 680
Net operating assets/(liabilities)	1 818 082	1 871 469





International distribution R'000	Mobile R'000	Solutions R'000	Corporate 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)
—	350 783	165 929	—
—	(198 165)	(20 533)	—
—	152 618	145 396	—
(13 961)	34 273	29 257	(82 886)
(51 176)	23 916	12 547	(87 983)
3 314	988	—	—
(47 862)	24 904	12 547	(87 983)
556 376	96 420	136 090	62 321
(16 065)	(20 543)	23 840	(40 619)

## DISPOSAL OF SUBSIDIARY

Shares in the following subsidiary were disposed of during the year	Effective date of disposal	% held and disposed of
<b>Subsidiary</b>		
Blue Label Engage Proprietary Limited	14 December 2014	50.1

<i>Details of the total net assets disposed and the resulting profit on disposal are as follows:</i>	Total R'000
Total proceeds	2 400
Carrying/fair value of net assets disposed of	(1 562)
Profit on disposal of subsidiary	3 962

<i>The assets and liabilities disposed of are as follows:</i>	Fair value at disposal date R'000
Cash and cash equivalents	66
Property, plant and equipment	64
Intangible assets	267
Financial assets at fair value through profit and loss	1 389
Receivables	8 484
Loan receivable	1 328
Borrowings	(12 934)
Payables	(7 254)
Carrying/fair value of subsidiary disposed of	(8 590)
Non-controlling interest	4 286
Goodwill	2 742
Carrying/fair value of net assets disposed of	(1 562)
Total proceeds on disposal received in cash	2 400
Less: Cash and cash equivalents of subsidiary disposed of	(66)
Cash inflow on disposal	2 334



## NON-IFRS INFORMATION

The auditor's report does not necessarily cover all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's work they should obtain a copy of that report together with the accompanying financial information from the registered office of the company. This announcement contains certain non-IFRS financial information which has not been audited or reported on by the Group's auditors.

**Directors:** LM Nestadt (Chairman)\*, BM Levy, MS Levy, K Ellerine\* \*, GD Harlow\*, Y Mahomed\*, JS Mthimunye\*, MV Pamensky, 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")

