UNAUDITED RESULTS FOR THE HALF YEAR ENDED 30 NOVEMBER 2013

BLUE LABEL TELECOMS

- Increase in gross profit by 10% to **R710 million**
- Increase in EBITDA by **16%** to **R431 million**
- Increase in headline earnings by 7% to **R246 million**
- Increase in gross profit margins from **6,80%** to **7,82%**
- Increase in headline earnings per share by **7%** to **37,15 cents**
- Cash flows from operating activities **R742 million**

Summarised Group statement of financial position

As at	30 November 2013 Unaudited R'000	30 November 2012 Unaudited R'000	31 May 2013 Audited R'000
ASSETS			
Non-current assets	**1 442 960**	1 060 927	1 340 410
Property, plant and equipment	**98 212**	99 094	88 125
Intangible assets and goodwill	**741 587**	483 604	706 018
Investment in and loans to associates and joint ventures	**584 547**	462 185	524 162
Loans receivable	**1 000**	1 119	1 000
Starter pack assets	**2 601**	3 107	2 573
Deferred taxation assets	**15 013**	11 818	18 532
Current assets	**4 745 750**	4 220 089	4 380 137
Inventories	**1 522 557**	1 828 208	1 858 511
Loans receivable	**29 837**	53 506	36 431
Starter pack assets	**1 127**	2 194	1 115
Trade and other receivables	**1 890 102**	1 363 322	1 539 365
Current tax assets	**1 564**	2 571	3 433
Cash and cash equivalents	**1 300 563**	970 288	941 282
Total assets	**6 188 710**	5 281 016	5 720 547
EQUITY AND LIABILITIES			
Capital and reserves	**3 307 542**	3 004 144	3 242 853
Share capital, share premium and treasury shares	**3 945 833**	3 939 891	3 939 891
Restructuring reserve	**(1 843 912)**	(1 843 912)	(1 843 912)
Other reserves	**121 245**	60 827	113 139
Share-based payment reserve	**31 865**	31 655	39 496
Transaction with non-controlling interest reserve	**(939 314)**	(909 967)	(931 125)
Retained earnings	**2 018 815**	1 745 181	1 941 082
Non-controlling interest	**(26 990)**	(19 531)	(15 718)
Non-current liabilities	**19 912**	20 084	11 942
Deferred taxation liabilities	**19 912**	20 084	11 942
Current liabilities	**2 861 256**	2 256 788	2 465 752
Trade and other payables	**2 824 554**	2 227 830	2 393 222
Provisions	**16 181**	9 758	19 029
Current tax liabilities	**5 662**	7 113	39 504
Current portion of interest-bearing borrowings	**2 842**	—	1 980
Current portion of non-interest-bearing borrowings	**12 017**	12 087	12 017
Total equity and liabilities	**6 188 710**	5 281 016	5 720 547

Summarised Group statement of changes in equity

Six months ended	Share capital, share premium and treasury shares Unaudited R'000	Retained earnings Unaudited R'000	Restructuring reserve Unaudited R'000	Other reserves* Unaudited R'000	Transaction 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
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 period	—	228 940	—	—	—	—	(11 378)	217 562
Other comprehensive income	—	—	—	35 288	—	—	43	35 331
Total comprehensive income/(loss)	—	228 940	—	35 288	—	—	(11 335)	252 893
Dividends paid	—	(155 137)	—	—	—	—	(1 900)	(157 037)
Treasury shares purchased	(17 223)	—	—	—	—	—	—	(17 223)
Equity compensation benefit scheme shares vested	15 798	—	—	—	—	(15 559)	(239)	—
Equity-based compensation movements	—	—	—	—	—	8 299	(3)	8 296
Transaction with non-controlling interest reserve movement	—	—	—	—	(395)	—	395	—
Non-controlling interests acquired during the period	—	—	—	—	—	—	2 829	2 829
Balance as at 30 November 2012	3 939 891	1 745 181	(1 843 912)	60 827	(909 967)	31 655	(19 531)	3 004 144
Balance as at 1 June 2013	**3 939 891**	**1 941 082**	**(1 843 912)**	**113 139**	**(931 125)**	**39 496**	**(15 718)**	**3 242 853**
Net profit for the period	**—**	**246 360**	**—**	**—**	**—**	**—**	**(3 031)**	**243 329**
Other comprehensive income	**—**	**—**	**—**	**8 106**	**—**	**—**	**(1)**	**8 105**
Total comprehensive income/(loss)	**—**	**246 360**	**—**	**8 106**	**—**	**—**	**(3 032)**	**251 434**
Dividends paid	**—**	**(168 627)**	**—**	**—**	**—**	**—**	**—**	**(168 627)**
Treasury shares purchased	**(11 120)**	**—**	**—**	**—**	**—**	**—**	**—**	**(11 120)**
Equity compensation benefit scheme shares vested	**17 062**	**—**	**—**	**—**	**—**	**(16 715)**	**(347)**	**—**
Equity-based compensation movements	**—**	**—**	**—**	**—**	**—**	**9 084**	**108**	**9 192**
Transaction with non-controlling interest reserve movement	**—**	**—**	**—**	**—**	**(8 189)**	**—**	**—**	**(8 189)**
Non-controlling interests acquired during the period	**—**	**—**	**—**	**—**	**—**	**—**	**(8 001)**	**(8 001)**
Balance as at 30 November 2013	**3 945 833**	**2 018 815**	**(1 843 912)**	**121 245**	**(939 314)**	**31 865**	**(26 990)**	**3 307 542**
Year ended	Audited R'000	Audited R'000	Audited R'000	Audited R'000	Audited R'000	Audited R'000	Audited R'000	Audited R'000
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 interests 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.

Summarised Group statement of comprehensive income

	Six months ended 30 November 2013 Unaudited R'000	Six months ended 30 November 2012 Unaudited R'000	Year ended 31 May 2013 Audited R'000
Revenue	**9 079 022**	9 466 174	18 984 210
Other income	**5 398**	4 498	16 137
Change in inventories of finished goods	**(8 368 957)**	(8 822 436)	(17 712 965)
Employee compensation and benefit expense	**(163 178)**	(149 083)	(332 901)
Depreciation, amortisation and impairment charges	**(34 357)**	(33 557)	(67 951)
Other expenses	**(120 821)**	(126 947)	(240 859)
Operating profit	**397 107**	338 649	645 671
Finance costs	**(80 683)**	(91 373)	(167 096)
Finance income	**70 088**	91 062	173 260
Share of loss from associates and joint ventures	**(29 779)**	(22 112)	(47 326)
Profit for the period before taxation	**356 733**	316 226	604 509
Taxation	**(113 404)**	(98 664)	(196 404)
Net profit for the period	**243 329**	217 562	408 105
Other comprehensive income:			
Exchange profits on translation of foreign operations	**8 105**	35 331	87 888
Other comprehensive income for the period, net of tax	**8 105**	35 331	87 888
Total comprehensive income for the period	**251 434**	252 893	495 993
Net profit for the period attributable to:	**243 329**	217 562	408 105
Equity holders of the parent	**246 360**	228 940	424 841
Non-controlling interest	**(3 031)**	(11 378)	(16 736)
Total comprehensive income for the period attributable to:	**251 434**	252 893	495 993
Equity holders of the parent	**254 466**	264 228	512 441
Non-controlling interest	**(3 032)**	(11 335)	(16 448)
Earnings per share for profit attributable to equity holders (cents)			
Basic earnings per share	**37,17**	34,61	64,22
Diluted earnings per share**	**36,66**	34,05	63,19
Headline earnings per share	**37,15**	34,78	64,17
Diluted headline earnings per share**	**36,63**	34,22	63,14
Dividend per share	**25,00**	23,00	23,00
Weighted average number of shares	**662 703 861**	661 520 749	661 577 847
Diluted weighted average number of shares	**672 014 932**	672 430 432	672 304 611
Number of shares in issue	**674 509 042**	674 509 042	674 509 042
Reconciliation between net profit and core net profit for the period:			
Net profit for the period attributable to equity holders of the parent	**246 360**	228 940	424 841
Amortisation on intangible assets raised through business combinations net of tax and net of non-controlling interest	**4 718**	6 913	12 675
Core net profit for the period	**251 078**	235 853	437 516
– Core earnings per share (cents)*	**37,89**	35,65	66,13

*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.

Segmental summary

Six months ended 30 November 2013	Total Unaudited R'000	South African distribution Unaudited R'000	International distribution Unaudited R'000	Mobile Unaudited R'000	Solutions Unaudited R'000	Corporate Unaudited R'000
Total segment revenue	**12 003 041**	**11 739 894**	**—**	**177 941**	**85 206**	**—**
Inter-segment revenue	**(2 924 019)**	**(2 816 429)**	**—**	**(97 192)**	**(10 398)**	**—**
External revenue	**9 079 022**	**8 923 465**	**—**	**80 749**	**74 808**	**—**
EBITDA	**431 464**	**448 264**	**(9 790)**	**18 927**	**17 264**	**(43 201)**
Net profit/(loss) for the period net of non-controlling interests	**246 360**	**305 541**	**(32 062)**	**13 678**	**9 257**	**(50 054)**
Amortisation on intangibles raised through business combinations net of tax and non-controlling interest	**4 718**	**2 294**	**1 930**	**494**	**—**	**—**
Core net profit/(loss) for the period	**251 078**	**307 835**	**(30 132)**	**14 172**	**9 257**	**(50 054)**
At 30 November 2013						
Total assets	**6 188 710**	**5 333 125**	**541 500**	**106 838**	**149 901**	**57 346**
Net operating assets/(liabilities)	**1 884 494**	**1 896 364**	**(14 870)**	**11 022**	**35 178**	**(43 200)**
Six months ended 30 November 2012						
Total segment revenue	12 247 416	12 077 385	—	94 472	75 559	—
Inter-segment revenue	(2 781 242)	(2 755 918)	—	(17 884)	(7 440)	—
External revenue	9 466 174	9 321 467	—	76 588	68 119	—
EBITDA	372 206	399 198	(19 727)	21 075	14 391	(42 731)
Net profit/(loss) for the period net of non-controlling interests	228 940	280 980	(24 926)	14 295	8 019	(49 428)
Amortisation on intangibles raised through business combinations net of tax and non-controlling interest	6 913	4 736	2 030	115	32	—
Core net profit/(loss) for the period	235 853	285 716	(22 896)	14 410	8 051	(49 428)
At 30 November 2012						
Total assets	5 281 016	4 553 734	438 021	95 120	153 563	40 578
Net operating assets/(liabilities)	1 963 301	1 968 640	(10 598)	11 899	31 244	(37 884)
Year ended 31 May 2013	Audited R'000	Audited R'000	Audited R'000	Audited R'000	Audited R'000	Audited R'000
Total segment revenue	**24 720 865**	24 363 215	—	220 393	137 257	—
Inter-segment revenue	**(5 736 655)**	(5 651 135)	—	(68 973)	(16 547)	—
External revenue	**18 984 210**	**18 712 080**	**—**	**151 420**	**120 710**	**—**
EBITDA	**713 622**	796 439	(31 000)	37 055	24 703	(113 575)
Net profit/(loss) for the year net of non-controlling interests	**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/(loss) for the year	**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)

Summarised Group statement of cash flows

	Six months ended 30 November 2013 Unaudited R'000	Six months ended 30 November 2012 Unaudited R'000	Year ended 31 May 2013 Audited R'000
Cash flows from operating activities	**742 291**	(723 118)	(439 794)
Cash flows from investing activities	**(203 956)**	(107 418)	(406 336)
Cash flows from financing activities	**(178 989)**	(174 304)	(188 066)
Increase/(decrease) in cash and cash equivalents	**359 346**	(1 004 840)	(1 034 196)
Cash and cash equivalents at the beginning of the period	**941 282**	1 975 242	1 975 242
Translation difference	**(65)**	(114)	236
Cash and cash equivalents at the end of the period	**1 300 563**	970 288	941 282

Headline earnings

	Six months ended 30 November 2013 Unaudited R'000	Six months ended 30 November 2012 Unaudited R'000	Year ended 31 May 2013 Audited R'000
Profit attributable to equity holders of the parent	**246 360**	228 940	424 841
Net profit on disposal of property, plant and equipment	**(185)**	—	(562)
Loss/(profit) on disposal of subsidiaries	**—**	2 027	(120)
Profit on disposal of associates and joint ventures	**—**	(873)	(2 107)
Impairment of intangible assets and property, plant and equipment	**—**	—	2 454
Headline earnings	**246 175**	230 094	424 506
Headline earnings per share (cents)	**37,15**	34,78	64,17

"The Group's goal is to enable all consumers to interact and transact on an equal footing"

Commentary

Headline earnings per share of 37,15 cents equated to a growth of 7%. In spite of a decline in revenue, EBITDA increased by 16% primarily due to an increase in gross profit by R66 million (10%) and the containment of growth in overheads to 3%. Revenue generated on "pin-less top ups" increased by R310 million. As only the commission thereon is reflected, the effective decline in Group revenue was confined to 1%.

The increase in gross profit, supported by a growth in margins from 6,80% to 7,82%, was achieved through the efficient application of cash resources to inventory purchases at favourable discounts, growth in commissions earned on the distribution of prepaid electricity and compounding annuity revenue.

The South African distribution segment remains the predominant contributor to Group earnings. It has achieved this by fortifying its foundation, thereby facilitating its ability to expand its offering into its key distribution channels. It is a reliable aggregator of several suppliers, backed up by a responsive service. Its reputation is one of trust, convenience and clear product leadership.

On the international front, Ukash continued to increase profitability, whilst Oxigen Services India ("OSI") and Blue Label Mexico ("BLM") incurred losses. Cash resources accumulated to R1,3 billion of which R742 million was generated from operating activities.

Basis of preparation

The condensed consolidated interim financial information has been 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 condensed consolidated interim financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of South Africa.

This interim 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 applied in the annual financial statements for the year ended 31 May 2013, 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 annual financial statements for the year ended 31 May 2013. These standards have not had a significant impact on the interim financial information.

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 the 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 2013.

Segmental report

South African distribution

	Unaudited 2013 R'000	Unaudited 2012 R'000	Growth R'000	Growth
Revenue	**8 923 465**	9 321 467	(398 002)	(4%)
Gross profit	**621 463**	563 041	58 422	10%
EBITDA	**448 264**	399 198	49 066	12%
Core net profit	**307 835**	285 716	22 119	8%
Gross profit margin	**6,96%**	6,04%		
EBITDA margin	**5,02%**	4,28%		

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 appropriate 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".

The decline in revenue by 4% in an increasingly competitive environment was compensated for by an increase in gross profit by 10%. This achievement is consistent with the strategy of focussing on opportunities yielding superior gross marginal returns. The continued shift in consumer behaviour patterns from traditional airtime purchasing to "pin-less top ups", accounted for 3% of the reduction in revenue. The effective decline in revenue equated to 1%.

Commissions earned on the distribution of prepaid electricity increased by R14 million to R67 million (26%) on revenue of R4,4 billion generated on behalf of the utilities.

After an overhead increase of 5%, the resultant EBITDA of R448 million equated to a 12% growth. These earnings were inclusive of extraneous costs of R19 million that were incurred in the settlement of a contractual dispute and the early termination of a profit share agreement.

Core net profit increased by 8% after a decline in net finance income by R7,8 million net of taxation, congruent with the application of an element of cash resources to bulk purchasing transactions and early settlement discounts. On exclusion of the extraneous settlement costs net of taxation, the core net profit growth would have equated to 13%.

International distribution

	Unaudited 2013 R'000	Unaudited 2012 R'000	Growth R'000	Growth
Revenue	**—**	—	—	—
Gross profit	**—**	—	—	—
EBITDA	**(9 790)**	(19 727)	9 937	50%
Share of (losses)/profits from associates and joint ventures	**(30 285)**	(23 122)	(7 163)	(31%)
– Ukash	**6 937**	4 362	2 575	59%
– Oxigen Services India	**(3 537)**	(2 455)	(1 082)	(44%)
– Blue Label Mexico	**(30 709)**	(22 894)	(7 815)	(34%)
– Other	**(2 976)**	(2 135)	(841)	(39%)
Core net loss	**(37 809)**	(36 730)	(1 079)	(3%)
– Equity holders of the parent	**(30 132)**	(22 896)	(7 236)	(32%)
– Non-controlling interests	**(7 677)**	(13 834)	6 157	45%

The negative EBITDA of R9,8 million was mainly attributable to legal fees incurred in Africa Prepaid Services Nigeria ("APSN"). These fees in the comparative period amounted to R19 million.

The share of net losses comprised the following:

Ukash

The Group's share of profits in Ukash, after the amortisation of intangible assets, increased by 59% from R4,4 million to R6,9 million. Of this growth, R1,2 million was attributable to foreign exchange gains. The balance of the growth of R1,4 million was achieved through an increase in profitability by 30%. These results were achieved organically on a revenue increase by 26%, resulting in an increase in gross profit by 38% and EBITDA by 35%, all reported in their local currency.

Oxigen Services India

Blue Label's share of losses increased by R1,1 million to R3,5 million. Although revenue increased by 30%, the Group's share of EBITDA declined by R2,2 million directly attributable to an increase in payroll and other expenses.

The increase in expenditure was congruent with a defined strategy to focus on the growth of financial services transactions facilitated by its vast network of points of presence. Implementation of this process required the deployment of additional personnel and other resources.

The defined strategy follows OSI's aim of becoming India's first non banked mobile wallet that empowers the unbanked masses to instantly transfer and receive cash across the entire country.

Its money transfer services are currently transacting at $1,2 million per day, increasing exponentially through Oxigen's connectivity with the National Payment Corporation of India. This facilitates the ability to offer instantaneous services to Oxigen's retail network in India.

Blue Label Mexico

In the comparative period, BLM incurred losses to the equivalent of R52 million of which the Group's 45% share equated to R23 million after the amortisation of intangible assets. In the current period, BLM's losses increased to an equivalent of R67 million, of which R12 million was attributable to negative foreign exchange movements. The Group's share of losses equated to R31 million of which R6 million pertained to these foreign exchange movements.

In spite of revenue increasing by 77%, the main reasons for the increase in losses were continued margin compression and an increase in overhead costs. The increase in overhead costs was necessitated by the aggressive roll out of point of sale devices and ancillary support services.

At the end of the reporting period the number of point of sale devices increased to 51 579 net of churn.

The objective will be to continue establishing additional points of presence. The ability to enhance the product offering with the advent of the transactional revenue-producing alliances with Visa and Banamex, will result in additional revenue being generated from the enhanced point of sale base.

Mobile

	Unaudited 2013 R'000	Unaudited 2012 R'000	Growth R'000	Growth
Revenue	**80 749**	76 588	4 161	5%
Gross profit	**56 436**	49 157	7 279	15%
EBITDA	**18 927**	21 075	(2 148)	(10%)
Core net profit	**14 172**	14 410	(238)	(2%)

This segment comprises Cellfind, Panacea Mobile, Blue Label Engage and Blue Label One. Of the revenue growth of R4 million, Panacea, Blue Label Engage and Cellfind contributed R22 million. This was offset by a decline of R14 million in revenue generated by the projects and media divisions of Blue Label One. A further R4 million was attributable to the disposal of Content Connect Africa during the comparative period.

The negative performance of Blue Label One manifested itself in the decline in this segment's contribution to core net profit. A positive growth of R8 million in contribution to core net profit by the other companies comprising this segment was entirely offset by movement in losses incurred by Blue Label One of R8 million. As a result, the latter company has been restructured in order to avoid repetition of its negative performance.

Solutions

	Unaudited 2013 R'000	Unaudited 2012 R'000	Growth R'000	Growth
Revenue	**74 808**	68 119	6 689	10%
Gross profit	**32 166**	31 540	626	2%
EBITDA	**17 264**	14 391	2 873	20%
Core net profit	**9 257**	8 051	1 206	15%

The Solutions segment houses Blue Label Data Solutions ("BLDS"), Velociti and CNS Call Centres. BLDS contributed R14 million to EBITDA translating to R8 million at core net profit level.

Corporate

	Unaudited 2013 R'000	Unaudited 2012 R'000	Growth R'000	Growth
EBITDA	**(43 201)**	(42 731)	(470)	(1%)
Core net loss	**(50 054)**	(49 428)	(626)	(1%)

Although growth in net expenditure was confined to 1%, the negative contribution to core net profit amounted to R50 million.

Depreciation, amortisation and impairment charges

Depreciation, amortisation and impairment charges increased by R0,8 million.

The amortisation of intangible assets in terms of purchase price allocations declined by R2,9 million in line with the expiration of useful tenure. This was offset by an increase in depreciation and impairment charges to the remainder of the Group's assets by R3,7 million.

Net finance income

Finance costs

Finance costs totalled R81 million, of which R7 million related to interest paid on borrowed funds and R74 million to imputed IFRS interest adjustments on credit received from suppliers. On a comparative basis, interest paid on borrowed funds was R8 million and the imputed IFRS interest adjustment equated to R83 million. Interest paid on borrowed funds was attributable to bulk inventory purchase transactions in which facilities were utilised and repaid during the current period.

Finance income

Finance income totalled R70 million, of which R16 million was attributable to interest received on cash resources and R54 million to IFRS interest adjustments. On a comparative basis, interest received on cash resources amounted to R26 million and the imputed IFRS interest adjustment to R65 million. The decline in interest received on cash resources was attributable to the partial utilisation of funds on hand for bulk inventory purchase transactions.

Statement of financial position

Total assets increased by R468 million, of which growth in non-current assets accounted for R102 million and current assets R366 million.

The increase in non-current assets was mainly attributable to a net growth in intangible assets and goodwill by R36 million, capital expenditure net of depreciation by R10 million and to investment in associates and joint ventures by R60 million.

In June 2013 the Group secured a distribution agreement with a leading reseller for a purchase consideration of R84 million. This, together with other acquisitions totalling R3 million, was offset by the amortisation of intangible assets by R51 million resulting in a net movement of R36 million in intangible assets and goodwill.

The increase in investment in associates and joint ventures was predominantly due to an additional R86 million investment in Blue Label Mexico and the positive impact of R6 million in foreign currency translation reserves, off-set by net losses of R30 million incurred by associates and joint ventures.

The movement in current assets was supported by a growth in cash resources by R359 million, an increase in accounts receivable by R351 million, offset by a decline in inventories by R336 million.

The debtors collection period increased from 27 days to 38 days congruent with the granting of extended credit to selected customers. In line with the decline in inventory, the stock turn improved from 38 days to 33 days.

The net profit attributable to equity holders of R246 million, less a dividend of R169 million, off-set by an increase in non-controlling interests of R11 million, were the main contributors to the net growth in capital and reserves.

Trade and other payables increased by R431 million due to the utilisation of additional credit afforded by suppliers. Accordingly, the payment period to creditors increased from 46 days to 62 days.

Statement of cash flows

Cash flows from operating activities totalling R742 million were applied to the purchase of intangible assets to the extent of R87 million, acquisitions of R16 million, additional funding of R86 million to Blue Label Mexico and capital expenditure of R28 million.

Treasury shares acquired for R11 million, dividends paid of R169 million, less dividends received of R11 million, resulted in a net increase in cash and cash equivalents of R359 million.

Cash resources accumulated to R1,3 billion.

Forfeitable share scheme

Forfeitable shares totalling 3 014 847 (2012: 3 881 276) were issued to qualifying employees. During the period 462 283 (2012: 434 061) shares were forfeited and 3 629 922 (2012: 2 700 512) shares vested.

Litigation update

The disputes between Telkom and Multi-Links, on the one hand, and Blue Label and the other defendants, on the other are pending before the High Court. It is anticipated that a trial date will be allocated shortly. Blue Label's subsidiary, APSN, is proceeding with its claim against Multi-Links arising out of Multi-Links' wrongful repudiation of the super dealer agreement between Multi-Links and APSN. APSN has also instituted a claim against Telkom arising out of Telkom's wrongful interference with APSN's contractual rights against Multi-Links. Blue Label and the other defendants vehemently deny the allegations made against them by Telkom and Multi-Links and maintain that they are not liable. Reference is made to the litigation update in the May 2013 Group integrated annual report.

Prospects

For the remainder of the financial year we expect revenue generated from airtime to be under pressure with the added probability of margin compression.

The recently acquired Ticketpros, a ticketing provider, is a proud partner of premium sporting events in South Africa. Its state-of-the-art technology, allowing it to become the first ticketing engine to launch ticketing purchases on an NFC card or till slip, will enhance the product offerings of the Group through its extensive merchant base to include transport, entertainment and expos.

Acquiring, which is the ability to process credit and debit card payments for products and services on behalf of a merchant, has become a reality through the successful alliance established with MasterCard and Visa. This will enable consumers to transact at store level through the multitude of point of sale devices that Blue Label has deployed both locally and internationally.

The recent announcement of the acquisition of Retail Mobile Credit Specialists ("RMCS"), an enhanced service provider of cellular products and services engaged in the supply of telecommunication products and services, content, data and allied activities, will provide the Group access to new channels for the distribution of both RMCS and Blue Label products and services. The acquisition remains subject to Competition Authority approval.

Oxigen Services India is expected to continue to grow the volume of the financial services transactions it facilitates, as it continues to implement strategies of it becoming India's first non-banked mobile wallet.

Blue Label Mexico will continue to grow its points of presence network in pursuit of its strategy of enhancing its products and service offerings, including transactional revenue.

The conclusion of alliances with MasterCard and Absa in South Africa and with Visa and Banamex in Mexico, will enable financial inclusion in communities where consumers have historically been unable to use formal payment products.

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	**BM Levy and MS Levy**	**DA Suntup* CA(SA)**
Chairman	Joint Chief Executive Officers	Financial Director

18 February 2014

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

Directors: LM Nestadt (Chairman)*, BM Levy, MS Levy, K Ellerine*, GD Harlow*, NN Lazarus SC*, JS Mthimunye*, MV Pamensky, DA Suntup, 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")