

VOX TELECOM LIMITED
(Registration number 1998/016433/06)
("Vox Telecom" or "the Company" or "the Group")
JSE Code: VOX
ISIN Code: ZAE 000097234

REVIEWED RESULTS FOR THE SIX MONTHS ENDED 28 FEBRUARY 2011

Condensed Consolidated Statement of Financial Position	Reviewed As at 28 Feb 2011 R'000	Unaudited As at 28 Feb 2010 R'000	Audited As at 31 Aug 2010 R'000
ASSETS			
Non-current assets	558 207	1 443 720	571 974
Plant and equipment	130 523	149 147	128 763
Goodwill	86 803	599 358	86 803
Other intangibles	330 272	678 717	345 398
Other financial assets	2 106	1 625	1 529
Deferred taxation	8 503	14 873	9 481
Current assets	369 474	375 761	418 085
Inventories	25 726	33 161	28 941
Trade receivables and prepayments	213 182	233 556	217 890
Current tax receivable	8 764	1 960	6 324
Finance lease receivables	-	785	766
Cash and bank balances	121 802	106 299	164 164
Total assets	927 681	1 819 481	990 059
EQUITY AND LIABILITIES			
Capital and reserves	517 727	1 193 143	491 564
Share capital	1 109	1 109	1 109
Share premium	1 018 876	1 018 876	1 018 876
Reserves	16 397	10 499	14 129
(Accumulated losses) retained earnings	(518 655)	162 658	(542 550)
Non-current liabilities	69 511	238 952	105 388
Borrowings - interest bearing	170	79 743	37 683
Borrowings - interest free	2 141	988	2 275
Deferred taxation	67 200	158 221	65 430
Current liabilities	340 443	387 386	393 107
Trade and other payables	249 777	291 449	283 904
Provisions	14 755	12 491	26 279
Taxation	739	10 257	2 824
Current borrowings	75 172	73 189	80 100
Total equity and liabilities	927 681	1 819 481	990 059
Ordinary shares in issue at period end (^000)	1 108 501	1 108 501	1 108 501
Net asset value per share (cents)	46.7	107.6	44.3
Net tangible asset value per share (cents)	9.1	(7.7)	5.4

Condensed Consolidated Statement of Comprehensive Income	Reviewed Six months ended 28 Feb 11 R'000	Unaudited Six months ended 28 Feb 10 R'000	Audited Year ended 31 Aug 10 R'000
Revenue	925 026	1 044 277	2 070 755
Cost of sales	(668 061)	(809 406)	(1 549 639)
Gross profit	256 965	234 871	521 116
Other income	1 915	2 388	1 113
Depreciation and amortisation	(41 895)	(37 146)	(78 330)
Employment costs	(104 320)	(95 830)	(198 092)
Occupancy costs	(12 516)	(11 281)	(22 530)
Other operating costs	(64 263)	(53 708)	(115 086)
Operating profit	35 886	39 294	108 191
Finance costs	(5 356)	(8 293)	(17 731)
Finance income	3 815	4 640	8 866
Net finance costs	(1 541)	(3 653)	(8 865)
Profit before taxation and exceptional items	34 345	35 641	99 326
Exceptional items	-	-	(842 547)
Profit (loss) before taxation	34 345	35 642	(743 221)
Taxation	(10 450)	(10 120)	63 534
Profit (loss) for the period	23 895	25 521	(679 687)
Other comprehensive income (loss)			
Reclassification adjustments on deregistration of foreign operation	-	-	1 376
Total comprehensive income (loss) for the period	23 895	25 521	(678 311)
Earnings (loss) per share (cents)			
Basic EPS	2.16	2.30	(61.32)
Diluted basic EPS	2.16	2.30	(61.32)
Additional information: Reconciliation of profit (loss) for the period to headline earnings			
Profit (loss) for the period	23 895	25 521	(679 687)
<i>Adjustments for:</i>			
Impairment of intangibles	-	-	328 553
Impairment of assets	-	-	956
Impairment of goodwill	-	-	512 618
(Profit) loss on sale of assets	(259)	-	159
Reclassification of FCTR	-	-	1 376
Tax effect	73	-	(92 307)
Headline earnings	23 709	25 521	71 668
Headline EPS (cents)	2.14	2.30	6.45
Diluted headline EPS (cents)	2.14	2.30	6.45
Number of shares			
In issue and weighted average (⁰⁰⁰)	1 108 501	1 108 501	1 108 501
Diluted weighted average (⁰⁰⁰)	1 108 501	1 108 501	1 108 501

Condensed Consolidated Cash Flow Statement	Reviewed Six months ended 28 Feb 11 R'000	Unaudited Six months ended 28 Feb 10 R'000	Audited Year ended 31 Aug 10 R'000
Cash flow from operating activities			
Operating cash before working capital movements	83 564	78 709	206 118
Working capital movements	(38 356)	32 955	44 676
Cash generated from operations	45 208	111 664	250 794
Net interest paid	(1 541)	(3 653)	(8 865)
Taxation paid	(12 226)	(17 736)	(43 278)
Net cash inflow from operating activities	31 441	90 275	198 651
Cash flow from investing activities			
Additions to plant and equipment to expand operations	(31 854)	(27 448)	(35 603)
Additions to other intangibles to expand operations	(5 164)	-	(11 241)
Proceeds on disposal of property, plant and equipment	5 467	-	3 945
Proceeds on finance lease receivables	189	-	382
Additional vendor payments	-	-	(63)
Net cash outflow from investing activities	(31 362)	(27 448)	(42 580)
Cash flow from financing activities			
Repayments of long and short-term borrowings	(42 441)	(48 645)	(84 023)
Cash outflow from financing activities	(42 441)	(48 645)	(84 023)
Net (decrease) increase in cash and cash equivalents	(42 362)	14 182	72 048
Cash and cash equivalents at beginning of period	164 164	92 117	92 117
Cash and cash equivalents at end of period	121 802	106 299	164 164

Condensed Consolidated Statement of Changes in Equity	Share capital	Share premium	Reserves	Retained earnings (accumulated losses)	Equity attributable to equity holders of the parent
	R'000	R'000	R'000	R'000	R'000
Unaudited six months ended 28 February 2010					
Balance as at 31 August 2009	1 109	1 018 876	8 230	137 137	1 165 352
Total comprehensive income for the period	-	-	-	25 521	25 521
Share-based payment expense	-	-	2 269	-	2 269
Balance as at 28 February 2010	1 109	1 018 876	10 499	162 658	1 193 143
Reviewed six months ended 28 February 2011					
Balance as at 31 August 2010	1 109	1 018 876	14 129	(542 550)	491 564
Total comprehensive income for the period	-	-	-	23 895	23 895
Share-based payment expense	-	-	2 268	-	2 268
Balance at 28 February 2011	1 109	1 018 876	16 397	(518 655)	517 727
Audited year ended 31 August 2010					
Balance as at 31 August 2009	1 109	1 018 876	8 230	137 137	1 165 352
Total comprehensive loss for the year	-	-	1 376	(679 687)	(678 311)
Share-based payment expense	-	-	4 523	-	4 523
Balance as at 31 August 2010	1 109	1 018 876	14 129	(542 550)	491 564

COMPANY PROFILE

Vox Telecom Limited, headquartered in Johannesburg, is a leading, independent telecom operator, providing voice and data services to the Southern African market. The Group employs 775 people and competes through its primary brands Vox Telecom, Vox Datapro, @lantic, Vox Orion, Vox Amvia, Vox Core and Vox Telepreneur and has offices in Johannesburg, Durban, Cape Town and Pretoria as well as in Windhoek, Namibia. Vox Telecom is a listed company trading on the Alternative Exchange (AltX), a division of the JSE Limited ("the JSE"). Investor and shareholder information is available at www.voxtelecom.co.za

BASIS OF PREPARATION

These condensed financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), Schedule 4 of the Companies Act and the AC 500 standards as issued by the Accounting Practices Board or its successor. The financial statements are in accordance with IAS 34 *Interim Financial Reporting*, using accounting policies that have been consistently applied to prior periods.

REVIEW

These results have been reviewed by independent external auditors, Deloitte & Touche, and their unmodified review report is available for inspection at the registered office of the company. The review was performed in accordance with the JSE Listings Requirements and ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*.

BUSINESS REVIEW FOR THE PERIOD

The key financial results of the past six months, compared with the six months ended 28 February 2010 were:

- **Gross profit up 9% to R257 million on H1 of 2010**
- **Cash on hand increased by 15% to R122 million**
- **Profit before taxation and exceptional items down 4% to R34 million**
- **Headline earnings per share ("HEPS") down 7% to 2.14 cents per share**

The following is a summary of key aspects of operational performance:

- The Group continued its focused conversion of existing Least Cost Routing ("LCR") customers onto Cristal Vox, thereby decreasing the risk of margin pressure on the Group through the drop in call termination rates ("CTR") (refer future prospects section);
- the Group invested a further R32 million into its network and other fixed assets as well as further reduced long term debt obligations by R42 million – this has had the positive impact of reducing net finance charges to R2 million down from R4 million for the comparable period;
- The implementation of the changed interconnect rates resulted in decreased revenue and profit and placed further pressure on our consumer divisions; and
- The staff complement decreased slightly to 775 employees (2010: 781).

FUTURE PROSPECTS

On 29 October 2010 ICASA issued a Government Gazette Notice 33698, Volume 544 that defines and addresses the wholesale call termination market that exists within the borders of the Republic of South Africa.

The change in the interconnect landscape now allows Vox Orion as well as other subsidiaries within the Vox Group to offer competitive outbound and inbound retail rates to their customers on all types of traffic, instead of merely focusing on capturing a customer's cellular traffic.

Cristal Vox, which is a direct response to this change, is the result of four years of experience in the voice market and has positioned the Group to provide a complete voice solution to service all of our customers' needs for both inbound and outbound calls. The impact of this is reduced communication costs for our customers and improved margins for the Group.

Vox Orion is affected by changes in the CTR environment as the majority of its customers use cellular LCR products. This service has historically resulted in major savings when making outbound calls from Telkom to one of the mobile operator networks. In response to anticipated changes in CTR a process was initiated in 2009 to convert these customers from LCR services to Cristal Vox. This conversion process requires technical changes at customer sites and the signing of new contracts which will take time.

Over the longer term Vox Orion will benefit from margin improvements once their major voice customers have been converted to the Cristal Vox solution.

None of the market conditions and prospects information contained in this announcement have been reviewed or reported on by the Group's auditors.

FINANCIAL OVERVIEW

(Note all comparatives relate to 28 February 2010)

The past six months has been focused on improving margins and Average Revenue Per User ("ARPU's"), reducing costs and maximising cash flow generation. The Group has also continued with its strategy of reducing its dependence on cellular LCR.

As a result profit for the six months ended 28 February 2011 is down 6% to R24 million (2010: R26 million). HEPS is down 7% to 2.14 cents per share (2010: 2.30 cents per share).

Revenue

Revenues declined by 11% to R925 million (2010: R1,04 billion).

Vox Orion's revenue declined by 16% to R552 million (2010: R659 million). This was mainly the result of the 29% drop in CTR in March 2010, which also impacted the LCR retail rates.

The impact of changes in CTR's on Vox Orion is explained in the "Future Prospects" section of this announcement.

Vox Datapro's revenue has decreased by 5% over the comparative period to R210 million (2010: R222 million). However, in the prior year R59 million wholesale revenue was included in Datapro's segmental revenue which is now being billed by Vox Core. The number of customers decreased slightly to 7 619 customers (2010:7 712).

@lantic's revenue declined by 10% to R93 million (2010: R103 million), although ARPUs across the base have grown to R178 per month (2010: R145 per month). @lantic is experiencing an extensive decline in its current "dial-up" base which the group is mitigating by means of more attractive replacement products with competitive price points. The number of customers declined to 123 407 (2010: 130 356). A new direct sales division was created to assist franchisees and resellers with sales.

Vox Amvia's revenue increased by 30% to R19 million (2010: R15 million), and now largely constitutes annuity revenue. The focus largely remains on continuing to develop unique products for consumers and corporate customers in the faxing arena, as well as cross selling the products within the groups customer base to drive further growth.

Vox Core's revenue has increased by 139% to R33 million (2010: R14 million). However, in the prior year R59 million wholesale revenue was included in Datapro's revenue which is now included under Vox Core's revenue.

Vox Telepreneur revenue increased by 9% to R17 million (2010: R15 million). ARPUs have increased to R275 per month from R265 per month as at 28 February 2010, largely brought on by the implementation of the new "Supaphone", which had the result of improving the customer experience thereby driving increased usage.

Earnings before interest, tax, depreciation and amortisation ("EBITDA")

EBITDA for the group has increased 2% to R78 million (2010: R76 million)

Vox Orion's EBITDA has increased 26% to R44 million in the current period (2010: R34 million). This is a direct result of higher margins on traffic converted to Cristal Vox and improved operational efficiencies and utilisation of contract minutes.

Vox Datapro achieved an EBITDA of R27 million (2010: R25 million), 8% higher than the prior period and continues to build a strong annuity customer base with healthy margins. The margins were slightly down for the six months under review due to a "once-off" wholesale transaction at lower than normal margins as well as investments into new products.

@lantic's EBITDA has decreased 40% to R12 million from R19 million in the prior period. This is largely as a result of discontinued Telkom rebates, declining volumes as well as margins and increased expenses.

Vox Amvia's EBITDA has increased 113% to R8 million in the current period (2010: R4 million) due to increased annuity sales at higher margins than the traditional product sales.

Vox Telepreneur's EBITDA has decreased 26% to a loss of R2,3 million (2010: R1,8 million loss). The focus is now on continued growth in customers as well as increased usage by each customer.

Operating profit

Operating profit was 9% lower than the prior period at R36 million (2010: R39 million), with operating profit margins of 4% (2010: 5%).

Due to the impairments processed at the end of last year the Group re-assessed the useful lives of the acquired customer bases in Vox Orion and @lantic and these increased rates/shorter useful lives contributed to the 13% increase in depreciation and amortisation in the current period. Employment costs increased 9% to R104 million (2010: R96 million) in line with industry salary inflation. Occupancy costs increased 11% to R13 million (2010: R11 million).

Net finance charges

The Group was able to repay R42 million in long-term debt in the current year to date. Therefore the net financing costs decreased to R2 million (2010: R4 million).

Cashflow and capital expenditure

Cash generated from operations has declined by 60% to R45 million at half-year (2010: R112 million). Operating cashflows before working capital movements improved by 6%, however, this has been offset by the negative working capital movement which is a function of the significant reduction in the call termination rates payable to the mobile service operators.

Cash generated by operations has been applied in meeting capital expenditure commitments of R44 million of which approximately R27 million has been invested in network and similar IT

equipment. Debt repayments of R42 million have also been made with total debt reduced to R77 million at period-end (2010: R 154 million). The debt to equity ratio was 15% at 28 February 2011. This has decreased from 24% at 31 August 2010.

Capital expenditure is expected to increase to facilitate the roll out of Cristal Vox. Expenditure incurred will mainly be driven by increased traffic on the Vox Core network.

Going concern

The Directors believe that the Group is well placed to manage its business risks successfully. The Directors have a reasonable expectation that the Group has adequate resources to continue to operate for the foreseeable future, despite the current uncertain economic and legislative environment. Accordingly, they continue to adopt the going concern basis of accounting in preparing the reviewed results.

SEGMENTAL REPORTING

Primary business segments

The Group operates through its four main operating businesses, namely Vox Orion, Vox Datapro, @lantic, and Vox Amvia. Other areas include corporate head office and the other early stage businesses. The Group's reportable segments are as follows:

Vox Orion -	Corporate voice and data.
Vox Datapro -	Corporate and consumer voice and data.
@lantic -	Consumer voice and data services.
Vox Amvia -	Fax services and related products to corporate market.
Vox Core -	Wholesale voice and data
Vox Telepreneur	Consumer voice and data services
Other -	Corporate head office, consolidation entries including the amortisation of customer bases, Vox Telecom Service Centre and various smaller entities including the dormant entities.

Reviewed: 6 months ended 28 February 2011	Total	Vox Orion	Vox Datapro	@lantic	Vox Amvia	Vox Telepreneur	Vox Core	Head office and other
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Revenue	925 026	551 569	210 448	92 533	19 081	16 936	33 246	1 214
Earnings (loss) before interest, tax, depreciation and amortisation	77 808	43 642	27 450	11 681	7 949	(2 299)	19 298	(29 912)
Depreciation and amortisation	(41 895)							
Operating profit	35 886							
Net finance costs	(1 541)							
Profit before taxation	34 345							
Taxation	(10 450)							
Profit for the period	23 895							
Total assets	927 681	418 677	119 862	103 899	54 849	31 544	134 915	63 937
Total liabilities	409 954	155 027	29 482	12 778	8 705	6 376	112 487	85 099

Unaudited: 6 months to 28 February 2010	Total	Vox Orion*	Vox Datapro #	@lantic	Vox Amvia	Vox Telepreneur	Vox Core#	Head office and other*
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Revenue	1 044 277	658 770	221 637	103 023	14 672	15 482	13 886	16 807
Earnings (loss) before interest, tax, depreciation and amortisation	76 440	34 535	25 530	19 417	3 736	(1 827)	20 929	(25 880)
Depreciation and amortisation	(37 146)							
Operating profit	39 294							
Net finance costs	(3 653)							
Profit before taxation	35 642							
Taxation	(10 120)							
Profit for the period	25 522							
Total assets	1 819 481	1 280 445	121 409	159 116	56 775	39 466	103 351	58 917
Total liabilities	626 338	209 266	22 326	28 269	5 398	21 749	73 561	265 769

* - Vox Orion Namibia revenue of R16.4m was included under Corporate and other. In 2011, Vox Orion Namibia is included under Vox Orion.

- Included in Datapro's revenue is R58.8m which is wholesale revenue, and in 2011 is being billed out of Vox Core.

Secondary geographic segments

The Group's businesses operate in two principal geographical areas - South Africa and Namibia.

	Total Six months ended Feb 11 R'000	South Africa Six months ended Feb 11 R'000	Namibia Six months ended Feb 11 R'000	Total Six months ended Feb 10 R'000	South Africa Six months ended Feb 10 R'000	Namibia Six months ended Feb 10 R'000
Sales	925 026	909 907	15 119	1 044 277	1 027 918	16 359
Segment assets	927 681	907 621	20 060	1 819 481	1 796 400	23 081

ACQUISITIONS AND ISSUE OF SHARES FOR CASH DURING THE YEAR

There were no acquisitions or further issue of shares in the period under review.

The total number of shares in issue as at 28 February 2011 is 1 108 500 699 (31 August 2010: 1 108 500 699).

DIRECTOR CHANGES

As announced on the Securities Exchange News Service of the JSE on 18 February 2011, Mr. A P van Marken ("Tony"), the Company's Chief Executive Officer, has resigned with effect from 31 March 2011 to pursue personal interests.

Management and the board would like to thank Tony for his dedicated contribution to the development of the Company and wishes him well in his future endeavours.

The board advises that Tony's responsibilities will be assumed by the Group Managing Director (Mr. D G Reed) and the executive management committee of Vox.

DIVIDENDS

In view of a focus on the repayment of debt and further anticipated investment in network infrastructure and new initiatives, the directors have decided not to declare a dividend for the six months under review.

SUBSEQUENT EVENTS

Save for the changes to the Board as detailed above, no events material to the understanding of this report have occurred in the period between the period-end date and the date of this report.

GENERAL

The board of directors would like to thank the management and all employees for the contribution they have made to the continued growth in the Group over the past 6 months.

By order of the Board

DG Reed
Managing Director

GJ Koen
Chief Financial Officer
and Company Secretary

19 April 2011
Johannesburg

Registered Office

Block D, Rutherford Estate, 1 Scott Street, Waverley, 2090

Directors

DG Reed, GJ Koen, VW Cuba*#, D Wallace*#, RT Dalais*, E Röth*, P Joubert*, AD van Zyl^

* Non-executive

Independent

^ Alternate

Designated Advisor

Grindrod Bank Limited

Transfer Office

Computershare Investor Services Pty) Ltd