

segmental reviews: telecommunications distribution

Telecommunications Distribution



The Prepaid Company

Crown Cellular

Ventury

Matragon

Kwikpay SA

Virtual Voucher

The **Telecommunications Distribution** segment houses all group companies involved in the distribution of prepaid secure electronic tokens of value (e-tokens) to South Africa's wholesale and retail consumer markets.

Each subsidiary is focused on serving a specific market segment and develops and deploys tailor-made distribution solutions that allow end-users to access a broad range of e-tokens via their chosen delivery device (touch point). Each channel uses the latest technology standards and well-defined protocols to make solutions-deployment easier, more dependable and scalable. The segments distribution devices currently include:

- Point-of-sale (POS) terminals;
- Integrated till systems (ITS);
- General Packet Radio Service (GPRS) and 3G;
- Bulk printing solutions;
- Vending machines;
- Short Message Service (SMS) and Unstructured Supplementary Service Data (USSD);
- Kiosks (manned and self service);
- Internet;
- Mobile applications; and
- Touch screens.





Growing the relative contribution of non-airtime related products remains a key segmental priority



The group continues to forward integrate into its airtime vending footprint.



Case study

The group via the Telecommunications Distribution segment is a leading provider of secure e-tokens to wholesale and retail consumer markets in South Africa.

The group's medium-term goal is to increase its ownership of its footprint – including integrated gateways, touch screens, self service terminals and vending machines – in order to maximise the margin it earns on the distribution of its broad array of e-tokens.

To achieve its goal the group has already begun to rollout proprietary devices within selected sectors of the South African consumer market and expects to have deployed at least 5 000 by the end of 2009.

Self-service vending machines

Comm Express Services (CES), a wholly owned subsidiary, distributes virtual and physical e-tokens (including starter packs) directly to consumers within local retail association and independent retailer footprints. **CES**, through its manufacturing division manufactures, distributes and maintains the group's proprietary vending machine infrastructure.

By the end of 2009, **CES**, in conjunction with Activi Technology Services, plans to

have rolled out in excess of 750 self-service vending machines within these environments to further enhance its ability to distribute e-tokens in line with the group's overall expansion targets and **CES'** self-service vending machines have been developed to cater for South Africa's unique requirements.

Although they vend physical vouchers, they top-up virtually, never missing a sale. In addition, due to their robust design and quality manufacture, they require very little on-site maintenance.

Key to **CES'** success remains its ability to seamlessly forward integrate the group's e-token distribution platforms, for both airtime and electricity, into its proprietary vending machine infrastructure.

By being part of the group, **CES** benefits from significant economies of scale as it directly accesses:

- the standardised segmental price for e-tokens;
- strategic, operational and IT resources; and
- shares operational costs across the segment.

By owning a significant proportion of the footprint through which it vends e-tokens, **CES** has been able to reduce the margin it pays away to the retailer whilst still adding value by attracting footfall into the retail environment.

In addition, **CES** continues to provide end-to-end customer and business specific manufacturing and deployment solutions for the group and its third-party customers, such as the white labelling of self-service vending machines for selected clients.



Telecommunications Distribution



Contribution to group

95,3%

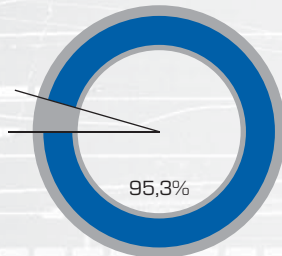
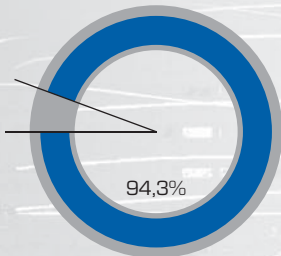


The segments' product development initiatives are focused on increasing the types of e-tokens available to consumers through the group's footprint of touch points. Currently, its combined e-token product suite includes the following products and services:

- Prepaid airtime and starter packs, prepaid electricity and prepaid insurance;
- Loyalty and stored value cards; and
- Bill payments.

Pro forma Revenue

Actual Revenue

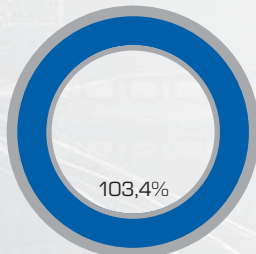
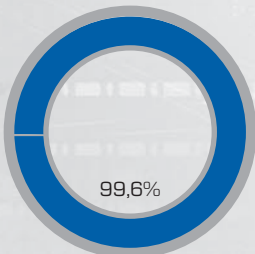


The Prepaid Company (TPC)

Wholesale and retail distributor of virtual and physical prepaid airtime and starter packs. TPC uses proven technology to facilitate the wholesale purchasing, management and delivery of prepaid airtime for its clients, including Ackermans, Metcash, Mr Price, PEP, Pick n Pay and Shoprite and other group subsidiaries.

Pro forma EBITDA

Actual EBITDA



Ventury Group

Ventury is the holding company of Cigicell

Cigicell distributes virtual prepaid airtime and electricity vouchers through a network of POS terminals to BP, Sasol, Shell and a range of independent retailers.

Matragon

Matragon is the holding company of Comm Express Services (CES).

CES distributes virtual and physical e-tokens (as well as starter packs) through a broad network of distribution channels including terminals, vending



machines and software embedded on integrated POS devices, directly to consumers through established retail associations and independent retailers.

Kwikpay SA

Distributes virtual prepaid airtime, electricity vouchers and value-added services through multi-application and managed terminal vending solutions and integrated POS till points for SPAR, FNB, Nedbank and Clicks.

Virtual Voucher

Distributes virtual prepaid airtime through an integrated prepaid voucher management system to over 500 Engen petroleum sites across South Africa.

During the financial year, the group acquired **Crown Cellular**, a wholesale and retail distributor of virtual prepaid airtime servicing the informal market. The group purchased the balance (10%) of Ventury's equity from its minority shareholders. Ventury is now a wholly owned subsidiary.

Performance review

The **Telecommunications Distribution** segment significantly exceeded its financial targets for the financial year. This enhanced performance resulted from strong local demand for prepaid airtime as well as the recent alignment of group subsidiaries with specific strategic goals. This strategic alignment has resulted in organic growth, primarily derived from subsidiary-specific market sector specialisations and performance goals, including the sharing of segmental sales, IT and treasury resources and operational costs.

The creation of market specialisations has improved the segments' overall market penetration whilst also significantly closing market gaps and successfully identifying new market opportunities. The group's robust, scalable and easily deployed distribution and technology solutions have allowed for the rapid but well controlled rollout of additional local proprietary touch points. This has also contributed to growth in the segment wholesale and retail customer base during the review period.



The group's ability to offer its end-users increased access to numerous e-tokens through an ever expanding footprint has provided resellers with greater convenience and availability when accessing products and services offered by the group. This leads to better end-user customer retention and loyalty.

Prospects for 2009

The **Telecommunications Distribution** segment expects to maintain its position as the preferred provider of e-tokens and multi-application distribution solutions to wholesale and retail consumer markets in South Africa. These markets will benefit from the segment's aggressive market penetration strategy that will both enhance end-user access to multiple technology solution offerings and various new e-token offerings. Current channel participants are also expected to benefit from aggressive customer acquisition and retention programmes as well as integrated access to other value added products and services.

Although the segment remains well positioned to seamlessly deploy new and varied non airtime-related prepaid products and services into the group's existing footprint, growing the relative contribution of non airtime-related products and services to overall group revenue and profit remains a key segmental priority for the forthcoming financial year.

segmental reviews: international telecommunications distribution

International Telecommunications Distribution



Gold Label

Oxigen Services India

Africa Prepaid Services

SharedPhone International

Content Connect Australia

Blue Label Mexico

Ukash

The **International Telecommunications Distribution** segment houses all group companies involved in the distribution of prepaid secure e-tokens of value within global emerging and developing markets.

The group's strategic objective is to become a leading provider of transactional services within global emerging and developing markets. Replicating the group's distribution model in selected international markets will diversify its revenue and profit streams over the medium term, provide global mobile and fixed line network operators, prepaid utility providers and suppliers of varied e-tokens access to robust, scalable and easily deployable multi-application distribution solutions that efficiently facilitate end-user access to a broad range of e-tokens, via their chosen delivery device across multiple geographies.

Internationally, the group remains cognisant of the need to adapt and deploy the most appropriate distribution methodology and technology solutions in order to successfully deliver a diverse range of e-tokens within particular markets. This awareness has allowed the group to successfully deploy and integrate its proprietary processing back-end technologies into many types of third-party infrastructure such as multiple POS devices, ranging from mobile phones to terminals, to vending machines and mainframe enterprise systems.





The group will only enter
a market with like-minded
local partners



The Take It Eezi project, powered by SharedPhone
A common purpose: making individuals self-sufficient ... all you need is a good position and friends to support you



Case study



compete crumbles, livelihoods and new job creation dwindles and margin distribution is compromised. To enable an individual to sell one network's airtime vouchers will not sustain him. But to equip him with the ability to operate a payphone, sell the airtime vouchers of several different networks, sell utility recharge vouchers such as electricity, sell affordable funeral and house cover ... the possibilities start to add up to a meaningful, extendable livelihood with the ultimate opportunity of becoming a bank.

In one year the **Take It Eezi** project has enabled 15 000 jobs in townships and rural areas around South Africa. Similarly the project has managed to provide 750 000 meals to crèches and school-going kids on the Cape Flats last year, all without any government assistance.

Behind the concept

Extensive travel and in-depth research has guided our thinking and distilled our common purpose: to make individuals self-sufficient.

These companies bear the keys to our common purpose; we have spoken to the people on the ground; we've heard their stories. The yardstick against which business will be measured one day will be its impact on poverty in the countries where we find our customers. The challenge is to operate a model that's purpose is sound business sense for all, in a competitive environment.

It's time for community to start building community, right here, right now!

Getting the world to the people

The **Take It Eezi** project was created to provide the man on the street with the tools and wherewithal to develop his own business, which not only provides him with a living, but which also has the potential to expand exponentially over time.

The cornerstone of any community, the corner shop, is starting to close its doors as the big retailers move in on their turf. As their ability to

segmental reviews: international telecommunications distribution (continued)

International Telecommunications Distribution



Contribution to group

3,1%

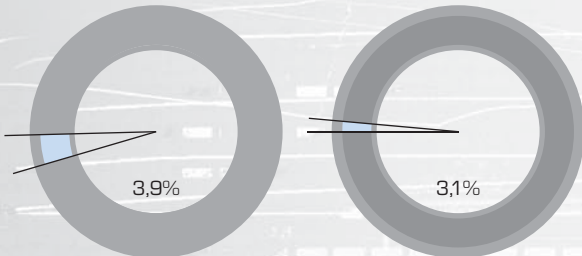


A cornerstone of the group's growth strategy is its ability to rapidly distribute proprietary and third party e-tokens through a global network of touch points. International footprint growth remains a key priority, but the group will only enter a market if the majority of the following stringent strategic and operational criteria have been assessed:

- Key partnerships;
- Presence of large unbanked and under-banked communities;
- Size of market;
- Likelihood of the group's ability to be a significant distributor in the territory;
- Strategic relationships; and
- Is the market an active remittance corridor?

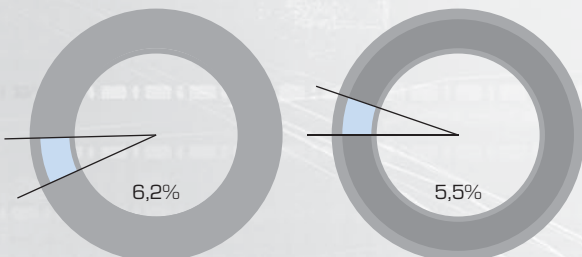
Pro forma Revenue

Actual Revenue



Pro forma EBITDA

Actual EBITDA



Oxigen Services India (Oxigen)

Oxigen is an IT enabled multi-services platform and virtual distributor of recharge vouchers, prepaid subscriptions and bill payments, including the electronic distribution of prepaid airtime for India's leading telecommunications operators. Oxigen has in excess of 50 000 touch points and is the leading virtual distributor of prepaid airtime in India.

Africa Prepaid Services (APS)

APS is a distributor of bulk printed physical prepaid products and starter packs. APS is currently active in Mozambique and the DRC and intends to pursue other opportunities on the African continent (excluding South Africa).



SharedPhone International (SharedPhone)

SharedPhone operates a SIM-card mobile payphone solution that allows vendors in rural areas – including other African countries – to offer consumers access to a public payphone and also vend prepaid airtime and prepaid electricity.

Content Connect Australia (CCAus)

In order to enter the mature and established Australasian market, the group established, together with a local partner, Content Connect Australia, an aggregator of localised content to mobile operators and third-party clients throughout Australia. The group will leverage its investment by increasing the range of e-tokens it distributes in Australia within the forthcoming year.

Post year-end events

Oxigen

The group increased its stake in Oxigen, its Indian associate by 3,85%, equalling Microsoft's 38,85% shareholding.

Ukash

A developer of proprietary and patented prepaid cash voucher technology; provides the group with access to a footprint in Western Europe and its innovative technology which allows for online redemption capabilities of multiple products and services through a single prepaid voucher.

Blue Label Mexico

The group jointly established Blue Label Mexico with Nadhari S.A. de C.V., a Mexican company with strategic and operational emerging market product and service development expertise. Blue Label Mexico will pursue opportunities complementary to the group's current areas of business and is an important step in the group's goal of creating a transaction-based distribution network in the emerging markets of Latin America, one of the world's largest remittance corridors.

Performance review

Within the International Telecommunications segment, the loss from Oxigen of R19,6 million was predominantly

due to the costs related to the aggressive rollout of POS devices. Oxigen's unique value proposition as a centralised channel for e-tokens which are able to be conveniently distributed through rural POS devices has begun to gain significant traction. Although growth of Oxigen's footprint has become more structured, it is not anticipated that Oxigen will be profitable by the group's next financial year-end. In the DRC and Mozambique, APS has grown by developing its infrastructure and joint distribution channels, evidenced by month-on-month growth in total starter pack connections.

Prospects for 2009

Subsidiary and associate companies within the **International Telecommunications Distribution** segment are strategically aligned to consolidating the group's footprint in certain existing markets and aggressively growing its footprint across two geographic areas.

Africa

Following a period of consolidation, the group expects new pan-African telecommunications operators to emerge within the next 36 months, providing further scope for the group to leverage its strategic relationships and deployment methodologies to grow its African footprint through which to distribute e-tokens.

Latin America

Many Latin American countries don't currently cater for "super" distribution channels that provide combined access to multi-application distribution solutions and a single source of varied e-tokens. The formation of Blue Label Mexico, in conjunction with experienced local operators, will position the group to rapidly deploy its footprint and distribute e-tokens to the whole region.

In conclusion, increased distribution of the group's full e-token product and service suite through its growing global footprint is expected to generate additional revenue and profit.



segmental reviews: technology platforms

Technology Platforms



Activi Technology Services

Mobile Services Company

The **Technology Platforms** segment houses all group companies aligned to the development, integration and management of the group's IT systems, infrastructure and technology solutions. The group's technology solutions include business-to-business technology solutions and direct-to-consumer technology solutions.

Business-to-business technology solutions

Activi Technology Services (Activi)

Develops, deploys and supports the group's technology platforms through two subsidiaries:

- Transaction Junction and Activi Deployment Services.

Its full service offering, which is also offered to third-party clients, includes:

- The switching of secure credit, debit and fleet card transactions for many of South Africa's leading banks, retailers and petroleum companies;
- The enabling of secure e-token vending platforms (airtime and electricity);
- The deployment of kiosks, POS terminals, bulk printing devices and self-service vending machines to enhance e-token distribution;
- The hosting and management of IT infrastructure; and
- The manufacturing, distribution and maintenance of POS terminals, kiosks and vending machines.





Development of the group's e-token has allowed the segment to evolve into a value added solutions provider



Activi Technology Services (Activi) – Successful national rollout of nearly 8 000 Lotto terminals

In 2006, the National Lottery Board awarded Gidani a seven year tender to manage the running of South Africa's national Lottery. In December 2006, Gidani appointed Activi to assist it with the rollout and initial maintenance of new Lotto machines across South Africa.



Case study

Activi's primary responsibilities included:

- the transportation of Lotto terminals, from the regional offices to merchant;
- the installation and commissioning of Lotto's terminal;
- the assembly and placement of Lotto's stand and merchandise;
- terminal testing and installation sign-off
- initial operational and field support; and
- phase 2 handover to Gidani's maintenance teams.

Activi executed the rollout in five phases:

Pre-rollout

- design of the rollout "system" – procedures and technology;
- acquire "equipment" required for rollout;
- recruit and train rollout teams; and
- route and logistics planning.

Rollout

- logistics – configure Lotto terminals and distribute to technical teams;
- install terminals on national basis;
- install shop fitting and issue consumables; and
- test the terminal and sign-off.

Support and handover

- ongoing onsite operational support;
- scale down rollout;
- testing of regional and national retail network; and
- final preparation to go live.

Operations

- initiate preventative maintenance procedures;
- manage new Lotto installations and cancellations;
- swap Lotto devices;
- initiate terminal refurbishments; and
- manage terminal upgrades or downgrades.

Identification, training and handover to Gidani's operating teams

Activi's national rollout plan was based on three to five, 40 minute installations, per two man team, per day. From February to April 2007, 102 Activi teams successfully deployed 7 652 new Lotto terminals and related merchandise. During this period 684 tons of electronic equipment was handled and tracked 18 times from manufacturer to retailer.

In addition, **Activi** successfully fielded close to 30 000 onsite field support calls until May 2008, when Gidani's fully trained in-house maintenance teams assumed full operational control over its Lotto terminals and in-store merchandising.

Technology Platforms



Contribution to group

0,2%



Direct-to-customer technology solutions

Blue Label One, trading as the Mobile Services Company (MSC)

MSC provides mobile product and service solutions to the group's direct-to-consumer and business-to-business channels. MSC, in conjunction with Microsoft, recently launched mibli, its first mobile public offering. mibli is a mobile eco-system combining numerous services into one "on-phone" application supported by an array of shared back-end components. MSC has developed a number of revenue channels for mibli, these include: unique targeted advertising, premium services and e-products, airtime sales, partner placement and white-labelled services.

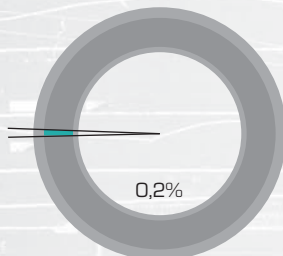
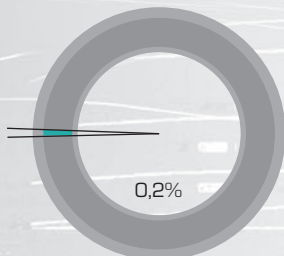
mibli users can instantly access:

- An innovative instant messaging solution with powerful social community features;
- An electronic wallet residing on the group's transactional back-end infrastructure, hosted and provisioned by Activi, which allows for the purchase and delivery of e-products such as airtime top-up, direct loyalty rewards, bill payments, ticketing and content-centric services;



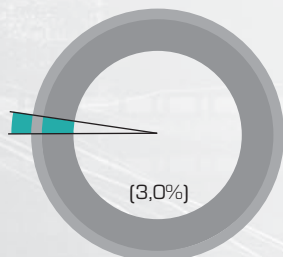
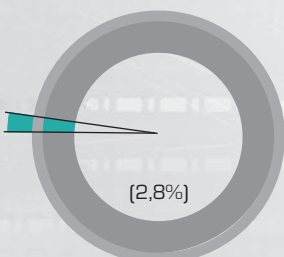
Pro forma Revenue

Revenue



Pro forma EBITDA

EBITDA



- Information feeds covering events, news, sports, music, travel and weather etc;
- Partner buttons for mobile banking; and
- Non-intrusive advertising ranging from sliding banner adverts to elective full-page and text adverts.

MSC is uniquely positioned to leverage the group's distribution channels and transactional experience with mibli's unique wallet-based financial and transactional service offerings.

Performance review

The **Technology Platforms** segment has delivered pleasing results for the financial year. The segment's focus on consolidating the group's existing IT systems into a best of breed, stable and robust platform and the enhancement of its ability to integrate and enable third-party technologies has significantly entrenched the group's overall standing within the secure e-token and transactional product and services sector.

The ongoing development and customisation of the group's e-token, PIN generation and redemption platform has allowed the segment to evolve into a customer centric value added solutions provider, well placed to meet current group and third-party requirements and to respond appropriately and timeously to new market developments. The segment is committed to providing open platform technology solutions where possible and ensuring that customers are retained through superior client service.

A key achievement for the review period remains the successful standardisation and packaging of complex platforms into standard products that will enhance the group's speed to market and ability to aggressively deploy its footprint within new emerging and developing markets.



Prospects for 2009

The **Technology Platforms** segment will continue to focus on developing, deploying and supporting commercially viable and functionally rich transaction engines, providing end-to-end customer and business specific technology solutions for the group and its third-party customers.

2009 will see further segmental investment in software development, business intelligence, Enterprise Resource Planning systems and service orientated architecture technologies.

The segment's main focus for 2009 will remain the development of group IT infrastructure, the creation of proprietary products and services and the ongoing integration and enablement of the group's wholesale and retail footprint.

In conclusion, the ongoing standardisation of system deployments and the optimisation of group-wide technology investments, through the sharing of group IT infrastructure, are expected to significantly enhance the segment's economies of scale.

segmental reviews: other related services

Other Related Services



Datacel Direct

Cellfind SA

Content Connect Africa

The **Other Related Services** segment houses all group companies broadly aligned to the South African information and communication technologies (ICT) industry. The group's focus on forward integrating its supply chain has resulted in this segment being able to create end-to-end solutions (from source, through transaction to final delivery) for both group companies and third-party clients. Across its current subscription-based businesses, the group controls access to its proprietary databases, location based services (LBS) and aggregated content.

Datacel

Datacel is a national business process outsourcing (BPO) company operating inbound and outbound call centres (1 150 seats) that specialise in:

- the telemarketing of cellular products and financial sector products and services to both proprietary and third-party databases;
- the provision of inbound customer care and technical support; and
- the collection of loans and credit card debt on behalf of major retail chains.

Datacel's key customers currently include: ACE, Avusa, Hollard, Metropolitan Life, Pick n Pay, RCS and Vodacom South Africa.





The segment is well positioned to grow its location based services and aggregated content subscriber bases



Look4help

Dianne Pearson * from Weltevreden Park, a Look4help subscriber, phoned Cellfind's Client Services and explained how the product had helped her in her time of need.



Case study

The incident occurred on the N1 Western Bypass at 04:00 on Monday morning. Dianne was driving to work (The Fresh Produce Market in Johannesburg City Deep) when she saw rocks spread out across the road. She panicked, knowing that this is a common hi-jacking tactic. She didn't want to slow down or stop, but there were too many obstacles strewn across the lanes. Her car skidded to a halt. The first thing she did was try to dial 112 and report her situation.

She looked up, there was a gun-wielding hijacker knocking on her window and shouting at her to hand over her mobile phone.

With adrenalin pumping through her veins, Dianne pressed her foot down hard on the accelerator and spun away from the scene, deciding that a damaged car is a small price to pay for your life. At the same time, she pressed the **Look4help** panic button (speed dial on her mobile phone), thinking that it may be her only chance of being rescued from this ordeal should she not be able to get away.

Seconds later, the recipients of her distress message (Dianne's mother, father, brother and

boyfriend) were trying to contact her. She arranged to meet her father and boyfriend at the nearest petrol station. After a while, her mother and brother also arrived to find out if she was in need of anything. She was very lucky to get away unharmed, but was very shaken up by the experience.

Dianne says that she truly believes in **Look4help**. No other emergency service was as instantaneous and helpful – the SAPS only responded to the 112 call two hours later. Those closest to you will do so much more to come to your rescue, and by knowing your location they have the ability to do something about your predicament.

* Name has been changed



Look4me is a tracking service that allows cellphone users to track other cellphone users, provided consent has been granted. **Look4me** is available via SMS, MMS, USSD, WAP or the Internet.

Look4help is a voice-free panic button that allows the user to send a distress message including his/her location up to four pre-specified cell numbers. Upon registration, the user simply saves a USSD code as a speed-dial, and he/she can rest assured that someone will be notified of their location in an emergency.

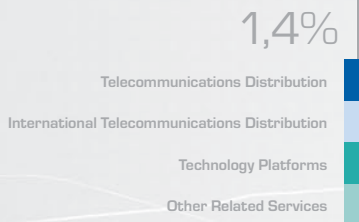


segmental reviews: other related services (continued)

Other Related Services



Contribution to group



Cellfind SA

Cellfind is the market leader in GSM based LBS in South Africa and has successfully launched the following products and services in conjunction with Vodacom South Africa:

- Look4me (410 537 Vodacom subscribers at 31 May) and Look4help (415 301 Vodacom subscribers at 31 May);
- Look4me For Business;
- Cellfind Assets; and
- 911Alert (100 000 Discovery subscribers at 31 May).

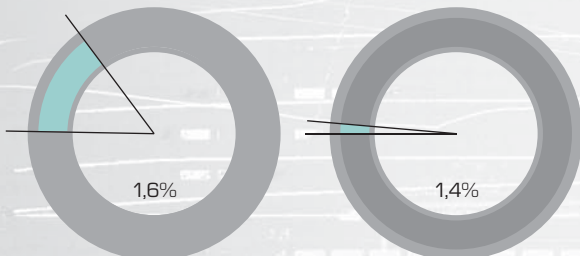
Cellfind is in the process of launching a range of LBS products for MTN South Africa.

Content Connect Africa (CCA)

CCA is an aggregator of on-portal and off-portal localised content for mobile operators and third party clients throughout Africa. CCA has acquired exclusive distribution rights and licence agreements for an array of local and international products and services including: music, entertainment, lifestyle, sports, fashion, news and games content. CCA has the exclusive African distribution rights to Prefueled, a kiosk and web-based digital entertainment provider of music, video, games and lifestyle products that dispenses music via WiFi, Bluetooth, memory card, USB-disk and CD/DVD.

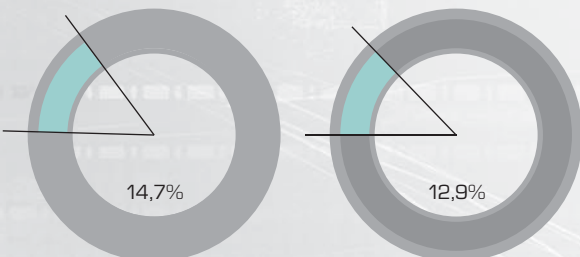
Pro forma Revenue

Revenue



Pro forma EBITDA

EBITDA



Performance review

Significant contributors within the **Other Related Services** segment at all levels are Datacel and Cellfind.

A strategic decision was made to substantially increase the number of seats in the call centre operations due to the expansion of products and services through this medium.

The cost pertaining thereto impacted to a degree on managements' original expectations for their performance for the year.

Having said this, the resultant foundation that has been built has manifested itself positively post the balance sheet period.

Cellfind remains a steady profit contributor with a continued increase in its subscriber base from month to month.

Customer retention is vital in subscription-based business models and both Datacel and Cellfind have focused on improving their customer service levels, new product development and sales and marketing efforts during the review period.

Key acquisitions during the financial year have resulted in Datacel becoming a significant BPO business with the critical mass, diverse business focus and specialist skills required to attract and secure key national blue-chip customers.

Prospects for 2009

The **Other Related Services** segment is well positioned to grow its LBS and aggregated content subscriber bases. Whilst Cellfind remains focused on retaining and growing its current Vodacom subscriber base, its enhanced product and service offerings will soon include:

- Look4Traffic: Providing traffic incident information, traffic flow and camera information and traffic fine information and payment;



- Look4Music: A Cellfind and CCA joint initiative providing consumers with focused, genre based music content;
- Look4Weather: Providing location based automated weather notifications; and
- CellPortal: Proprietary messaging gateway targeted at corporate and SMME customers.

In addition, the imminent launch of MTN's LBS product and service offering will significantly enhance Cellfind's subscriber base, both growing its market share and leveraging its fixed cost base.

Datacel's innovative offerings and national reach are expected to ensure the retention of current customers and acquisition of future customers. Coupled to a solid annuity revenue base, the company is well positioned for future growth.

As part of its African expansion strategy, CCA is currently signing new, independent artists with strong local and regional appeal. Prefueled, in association with several key partners will be merchandised throughout key locations across South Africa.

In conclusion, the relative contribution from proprietary and third-party database telemarketing, subscriber-based LBS and aggregated content to the group's revenue, is expected to grow significantly.