

# REVIEW OF OPERATIONS



**Mark Attieh**  
Managing Director of  
Smartphone SP (Proprietary) Limited  
and Director of Smartcom (Proprietary) Limited

## Overview

Vodacom Group (Proprietary) Limited acquired a 51% interest in Smartphone SP (Proprietary) Limited, trading as Smartcall, on March 1, 2004. Smartphone SP (Proprietary) Limited acquired an 85.75% interest in Smartcom (Proprietary) Limited effective April 16, 2004.

The companies have performed well in a favourable South African market, with revenues significantly better in the second half of the year compared to the first half.

## Smartphone SP (Proprietary) Limited trading as Smartcall

Smartcall achieved excellent results and has exceeded expectations in a more competitive environment. The business was significantly more profitable towards the end of the financial year, as the business model followed requires investment in stock a few months before the customer connects.

Smartcall has been developing new voucher distribution solutions over the past financial year and is currently able to print

## SMARTCALL AND SMARTCOM

large volumes of vouchers at point-of-sale. Smartcall has also developed PIN management solutions and plans to sell more prepaid cellular value-added products and services to the market over the next few months.

Smartcall offers products exclusively to the prepaid market and at March 31, 2006 their customer base was 4,734,000 (2005: 3,577,000).

## Smartcom (Proprietary) Limited

Smartcom's distribution channels performed well with sales of both Family Top Up and data sales packages doing exceptionally well. All distribution channels are being actively monitored and strengthened where required. Smartcom managed to maintain very good customer care service levels and are poised for further growth in the year ahead.

Due to the extreme competitive market, payphone operators are experiencing margin pressure which has resulted in the consolidation of this market.

Smartcom offers products exclusively to the contract market and at March 31, 2006 their customer base was 128,000 (2005: 90,000).

## Products and services

Smartcall launched Smartvoucher in the current financial year. The product has been well received by the market and is growing at a steady pace.

Smartcall launched games where players win vouchers. These have proven to be popular as well as enhancing the company's image and increasing our brand loyalty.

All our distributors have been supplied with proprietary billing and administration software, which enables them to effectively monitor their performance and that of their dealers on a daily basis.

### **Employees**

Smartcall and Smartcom have a combined staff complement of 206 (2005: 145) employees.

### **Prospects**

The cellular market continues to show strong growth and Smartcall and Smartcom continue to benefit from this through their well developed distribution channels.

Smartcall is known for its innovation in the prepaid market and is currently exploring novel customised concepts to enhance recharge and voucher distribution solutions. Smartcall is also aggressively developing its retail distribution channels and is well positioned to take advantage of any mobile virtual network operator ("MVNO") legislation when it is promulgated.

The brand loyalty has grown over the last few years and we continue to stimulate this through all mediums.

Smartcall and Smartcom are well positioned to show continued subscriber growth as well as continued growth in net income and cash flow.



**Nick Zografos**  
Chief Executive Officer  
Smartcom (Proprietary) Limited

### **Mark Attieh**

*Managing Director of  
Smartphone SP (Proprietary) Limited and  
Director of Smartcom (Proprietary) Limited*

### **Nick Zografos**

*Chief Executive Officer  
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