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PROSPECTUS

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$270,000,000

Cell C (Pty) Limited

11% Senior Subordinated Notes due 2015

The 11% Senior Subordinated Notes due 2015 (the "senior subordinated notes" or the "notes") will be our senior subordinated obligations and will be guaranteed on a senior subordinated basis (the "senior subordinated guarantees") by Cell C Service Provider Company (Pty) Limited and Cell C Property Company (Pty) Limited (the "guarantors"), our wholly-owned subsidiaries. The senior subordinated notes will bear interest at a rate of 11% per year. Interest on the senior subordinated notes is payable on January 1 and July 1 of each year, beginning on January 1, 2006. The senior subordinated notes will mature on July 1, 2015. We may redeem all or part of the senior subordinated notes at any time on or after July 1, 2010, as specified herein. Prior to July 1, 2010, we may also redeem all or part of the senior subordinated notes by paying a "make-whole" premium. In addition, prior to July 1, 2008, we may also redeem up to 35% of the aggregate principal amount of the senior subordinated notes with the net proceeds from certain equity offerings.

The senior subordinated notes will be subordinated in right of payment to all of our current and future senior indebtedness, including indebtedness under a new revolving credit facility that we expect to enter into after the closing of the offering and the senior secured notes that we expect to issue concurrently with the closing of this offering. The senior subordinated notes will rank equal in right of payment with all of our existing and future senior subordinated indebtedness and senior to all of our future indebtedness that expressly provides that it is subordinated to the senior subordinated notes, including our deeply subordinated shareholder loans, and will be effectively subordinated to all of our existing and future secured indebtedness to the extent of the assets securing such indebtedness. The senior subordinated guarantees will be subordinated in right of payment to all existing and future senior indebtedness of the guarantors, including indebtedness under the new revolving credit facility and the senior secured notes in each case as referred to above, will rank senior to all existing and future indebtedness of the guarantors that is subordinated in right of payment to the senior subordinated guarantees, and will be effectively subordinated to all of the guarantors' secured indebtedness to the extent of the assets securing such indebtedness.

The senior subordinated notes are subject to customary standstill provisions, including a period of 179 days that must elapse following the occurrence of certain events of default under the senior subordinated notes before any action may be taken in respect of the senior subordinated notes and the senior subordinated guarantees.

Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange, and to admit the notes to trading on the EuroMTF market.

Investing in the notes involves risks. See "Risk Factors" beginning on page 13.

The notes and the guarantees have not been registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws. Accordingly, the notes are being offered and sold only to qualified institutional buyers in accordance with Rule 144A under the U.S. Securities Act and outside the United States in accordance with Regulation S under the U.S. Securities Act. Prospective purchasers that are qualified institutional buyers are hereby notified that the seller of the notes may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. For a description of certain restrictions on transfers of the notes, see "Plan of Distribution" and "Notice to Investors."

Price: 100.00% plus accrued interest, if any, from July 13, 2005

The notes will be represented on issue by one or more global notes which will be delivered through Euroclear Bank S.A./N.V., as operator of the Euroclear system, and Clearstream Banking, *société anonyme*, on or about July 13, 2005.

Citigroup

November 15, 2005

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You should rely only on the information contained in this prospectus. We have not, and the initial purchaser has not, authorised anyone to provide you with different information. We are not, and the initial purchaser is not, making an offer of these securities in any jurisdiction where this offer is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus.

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This prospectus has been prepared by us solely for use in connection with the proposed offering of the securities described in this prospectus.

The initial purchaser makes no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this prospectus. Nothing contained in this prospectus is, or shall be relied upon as, a promise or representation by the initial purchaser as to the past or future. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the initial purchaser or the trustee as to the accuracy or completeness of the information contained or incorporated in this prospectus or any other information provided by us or the guarantors in connection with the notes. Neither the initial purchaser nor the trustee accepts any liability in relation to the information contained or incorporated by reference in this prospectus or any other information provided by us or the guarantors in connection with the notes.

We accept responsibility for the information contained in this prospectus. To the best of our knowledge and belief, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. However, the information set out in relation to sections of this prospectus describing clearing arrangements, including the section entitled "Book-Entry; Delivery and Form", is subject to any change in or reinterpretation of the rules, regulations and procedures of The Depository Trust Corporation, or DTC, or of the Euroclear System, or Euroclear, or Clearstream Banking *société anonyme***, or Clearstream Banking, currently in effect. While we accept responsibility for accurately summarising the information concerning DTC, Euroclear and Clearstream Banking, we accept no further responsibility in respect of such information. In addition, this prospectus contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of documents referred to herein will be made available to prospective investors upon request to us or the initial purchaser.**

The initial purchaser will provide you with a copy of this prospectus and any related amendments or supplements. By receiving this prospectus, you acknowledge that you have had an opportunity to request from us for review, and that you have received, all additional information you deem necessary to verify the accuracy and completeness of the information contained in this prospectus. You also acknowledge that you have not relied on the initial purchaser in connection with your investigation of the accuracy of this information or your decision whether to invest in the notes.

Neither the U.S. Securities and Exchange Commission, any state securities commission nor any other regulatory authority, has approved or disapproved the securities nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this prospectus . Any representation to the contrary is a criminal offense.

The notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act and the applicable state securities laws pursuant to registration or exemption therefrom. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. Please refer to the sections in this prospectus entitled "Plan of Distribution" and "Notice to Investors."

In making an investment decision, prospective investors must rely on their own examination of the company and the terms of the offering, including the merits and risks involved. In addition, neither we nor the initial purchaser nor any of our or its representatives are making any representation to you regarding the legality of an investment in the notes, and you should not construe anything in this prospectus as legal, business or tax advice. You should consult your own advisors as to legal, tax, business, financial and related aspects of an investment in the notes. You must comply with all laws applicable in any jurisdiction in which you buy, offer or sell the notes or possess or distribute this prospectus, and you must obtain all applicable consents and approvals; neither we nor the initial purchaser shall have any responsibility for any of the foregoing legal requirements.

In this prospectus, we rely on and refer to information and statistics regarding our industry. We obtained this market data from independent industry publications or other publicly available information. Although we believe that these sources are reliable, we have not independently verified and do not guarantee the accuracy and completeness of this information.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

CERTAIN REGULATORY ISSUES RELATED TO THE UNITED KINGDOM

This document is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (iii) high net worth entities, falling within Article 49(2) of the Order (all such persons together being referred to as "relevant persons") or (iv) other persons to whom it may be lawfully recommended. The notes are available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

CERTAIN REGULATORY ISSUES RELATED TO GERMANY

The offering of the notes is not a public offering in the Federal Republic of Germany. The notes may be offered and sold in the Federal Republic of Germany only in accordance with the provisions of the Securities Prospectus Act of the Federal Republic of Germany (*Wertpapierprospektgesetz*) and any other applicable German law governing the issue, sale and offering of securities. Any resale of the notes in Germany may likewise only be made in accordance with the provisions of the Securities Prospectus Act and other applicable German law governing the sale and offering of securities.

CERTAIN REGULATORY ISSUES RELATED TO LUXEMBOURG

This offering memorandum does not contain a public offering of securities within the Grand Duchy of Luxembourg. It is solely intended for a defined and restricted circle of addresses (*cercle défini et restreint d'investisseurs*) and may not be duplicated. It may not be subsequently passed to another person in Luxembourg unless such other person acts as legal, financial or tax advisor of an addressee of this document and has received this document in such professional capacity.

CERTAIN REGULATORY ISSUES RELATED TO THE NETHERLANDS

The notes may not be offered in The Netherlands other than (i) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities; (ii) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts, (iii) to any legal entity which and any natural person who has asked to be considered as professional market party and is registered pursuant to the Dutch Exemption Regulation, and (iv) in any other circumstances which do not require the publication of a prospectus pursuant to the Dutch Exemption Regulation.

CERTAIN REGULATORY ISSUES RELATED TO FRANCE

The prospectus is not being distributed in the context of a public offer in France within the meaning of Article L. 411-1 of the French *Code monétaire et financier* and this prospectus has not been and will not be submitted to the *Autorités des marchés financiers* for approval in France.

The notes may not be offered or sold to the public in France and neither this prospectus, nor any offering material or information contained herein relating to the notes, may be released, issued or distributed or caused to be released, issued or distributed to the public in France, or used in connection with any offer for subscription or sale of the notes to the public in France. Such offers, sales and distributions may be made in France only to (i) qualified investors (*investisseurs qualifiés*) and/or (ii) a restricted circle of investors, in each case investing for their own account, all as defined in Article L. 411-2 of the French *Code monétaire et financier* and *Décret* no. 98-880, dated October 1, 1998, as amended, relating to offers to a limited number of investors and/or qualified investors. The resale, directly or indirectly, to the public in France of the notes acquired by such investors may only occur under the conditions set out in Articles L. 412-1 and L. 621-8 of the French *Code monétaire et financier* and applicable regulations thereunder.

CERTAIN REGULATORY ISSUES RELATED TO SPAIN

The notes will be offered or sold in Spain by means of a public offer in compliance with and as defined and construed in Chapter I of Title III of Law 24/1988, of 28 July, on the Securities Act (as amended by Royal Decree Law 5/2005, of 11 March) and related legislation.

CERTAIN REGULATORY ISSUES RELATED TO ITALY

The offering of the notes has not been cleared by CONSOB (the Italian Securities Exchange Commission) pursuant to Italian securities legislation and, accordingly, no notes may be offered, sold or delivered, nor may copies of this prospectus or of any other document relating to the notes be distributed in the Republic of Italy, except (i) to qualified investors (*operatori qualificati*), as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of July 1, 1998, as amended, provided that such professional investors will act in their capacity and not as depositaries or nominees for other shareholders, or (ii) in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended (the "Italian Financial Services Act"), its implementing CONSOB regulations, including Article 33, first paragraph, of CONSOB Regulation No. 11971 of May 14, 1999, as amended. Any offer, sale or delivery of the notes or distribution of copies of this prospectus or any other document relating to the notes in the Republic of Italy under (i) or (ii) above must be (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Italian Financial Services Act and Legislative Decree No. 385 of September 1, 1993 (the "Banking Act"), as amended, and the implementing guidelines of the Bank of Italy, and (b) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy pursuant to which the issue or the offer of securities in the Republic of Italy may need to be preceded and followed by an appropriate notice to be filed with the Bank of Italy depending, among other things, on the aggregate value of the securities issued or offered in the Republic of Italy and their characteristics, and in accordance with any other applicable laws and regulations including any relevant limitations which may be imposed by CONSOB or the Bank of Italy. In any case, the notes cannot be offered or sold to any individuals in the Republic of Italy either in the primary market or the secondary market.

CERTAIN REGULATORY ISSUES RELATED TO SOUTH AFRICA

The notes are not being offered to prospective investors in the Republic of South Africa. This document does not constitute a prospectus prepared and registered under the Companies Act.

CERTAIN REGULATORY ISSUES RELATED TO IRELAND

The Notes may be offered for sale in Ireland only in compliance with the Prospectus (Directive 2003/71/EC) Regulations 2005 to the extent applicable to any such offer, the Investment Intermediaries Act 1995 and any other applicable Irish laws and regulations.

Interests in the notes will be available initially in book-entry form. We expect the notes sold will be issued in the form of one or more global notes. The global notes will be deposited and registered in the name of a common depositary for Euroclear and Clearstream Banking. Transfers of interests in the global notes will be effected through records maintained by Euroclear, Clearstream Banking and their respective participants. After the initial issue of the global notes, the notes will not be issued in definitive registered form except under the circumstances described in the section "Book-Entry; Delivery and Form."

STABILISATION

In connection with the issue of the notes, Citigroup Global Markets Limited (or persons acting on its behalf) may over-allot notes (provided that the aggregate principal amount of notes allotted does not exceed 105% of the aggregate principal amount of the notes) or effect transactions with a view to supporting the market price of the notes at a level higher than that which might otherwise prevail. However, there is no assurance that Citigroup Global Markets Limited (or persons acting on its behalf) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the notes and 60 days after the date of the allotment of the notes.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

The following cautionary statements identify important factors that could cause our actual results to differ materially from those projected in the forward-looking statements made in this prospectus. Any statements about our expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as "will likely result," "are expected to," "will continue," "believe," "is anticipated," "estimated," "intends," "expects," "plans," "seek," "projection" and "outlook." These statements involve estimates, assumptions and uncertainties which could cause actual results to differ materially from those expressed in them. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this prospectus. Among the key factors that have a direct bearing on our results of operations are:

- reliability and performance of our network infrastructure, network equipment and systems;
- increased competition in the South African mobile telecommunications market, including competition with companies that have greater resources than us;
- our ability to increase market share and retain customers;
- our ability to meet our schedule for the rollout of our mobile telecommunications network;
- our ability to generate sufficient cash to fund the operation of our business and service our indebtedness;
- changes in telecommunications technologies that could render certain technologies used by us obsolete or could increase our cost of doing business;
- limitations on our ability to access sources of funding;
- fluctuations in currency exchange rates;
- changes in law and government regulations;
- outcome of pending or new litigation involving us;
- our ability to attract and retain qualified personnel;
- our ability to implement our business plan;
- the loss of suppliers or disruption of supply chains; and
- risks associated with changes in macroeconomic, political or social conditions in the Republic of South Africa.

These and other factors are discussed in "Risk Factors" and elsewhere in this prospectus.

Because the risk factors referred to in this prospectus could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made in this prospectus by us or on our behalf, you should not place undue reliance on any of these forward-looking statements. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. New factors will emerge in the future, and it is not possible for us to predict which factors they will be. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those described in any forward-looking statements.

INDUSTRY AND MARKET DATA

Information relating to markets, market size, market share, growth rates and penetration rates, and other industry data pertaining to our business contained in this prospectus consists of estimates based on data reports compiled by professional organisations and analysts, on data from external sources, on our knowledge of our sales and markets and on our own calculations based on such information. In many cases, there is no readily available external information, whether from trade associations, government bodies or other organisations, to validate market-related analyses and estimates, thus requiring us to rely on internally developed estimates. While we have compiled, extracted and reproduced market or other industry data from external sources, including third party or industry or general publications, neither we nor the initial purchaser have independently verified the data. We accept responsibility for the accurate reproduction of the industry and market data contained in this prospectus. We cannot assure you of the accuracy and completeness of, and take no responsibility for, such data. Similarly, while we believe our internal estimates to be reasonable, they have not been verified by any independent sources, and we cannot assure you as to their accuracy.

In addition, in some cases we have made statements in this prospectus regarding our industry and competitive position based on our experience and our investigation of market conditions. We cannot assure you that any of these assumptions are accurate or correctly reflect our competitive position within the industry, and none of our internal surveys or information has been verified by independent sources, which may have estimates or opinions regarding industry related data information which differ from our own.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

We have prepared the financial statements contained in this prospectus in accordance with International Financial Reporting Standards, or IFRS. IFRS differs in significant respects from generally accepted accounting principles in the United States, or U.S. GAAP.

In this prospectus, references to “rand,” “R,” “ZAR” and “cents” are to the South African rand and cents, the lawful currency of the Republic of South Africa. References to “€” or “euro” are to the single currency of the participating member states in the Third Stage of European Economic and Monetary Union (EMU) of the Treaty Establishing the European Community, as amended from time to time. References to “U.S. dollars,” “$,” and “U.S.$” are to the United States dollar, the lawful currency of the United States.

We present our financial statements in South African rand. In this prospectus, unless otherwise indicated, all amounts are expressed in South African rand. For your convenience in certain instances, this prospectus translates South African rand into euro at the rate of R8.09 per €1.00, the Bloomberg Composite Rate on March 31, 2005.

We have converted certain U.S. dollar amounts into euro at an exchange rate of $1.20 per €1.00.

EXCHANGE RATES

The following chart shows for the period from January 1, 2000 through June 30, 2005, the Bloomberg Composite Rate expressed as rands per €1.00. The Bloomberg Composite Rate is a "best market" calculation. At any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications. The ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid and the lowest ask rate. We do not represent that the rand amounts referred to below could have been converted into euro at any particular rate indicated or any other rate.

	Period end	Average	High	Low
Year				
2000	7.14	6.40	7.14	6.08
2001	10.64	7.71	11.20	6.76
2002	8.99	9.90	11.21	8.91
2003	8.42	8.52	9.70	7.51
2004	7.68	8.00	9.29	7.36
Month				
January 2005	7.80	7.84	8.07	7.61
February 2005	7.70	7.81	8.00	7.66
March 2005	8.09	7.97	8.20	7.70
April 2005	7.83	7.96	8.15	7.83
May 2005	8.38	8.05	8.38	7.70
June 2005	8.07	8.20	8.47	8.03

The Bloomberg Composite Rate of the euro on June 30, 2005 was €1.00 = R8.07.

The following table sets forth for the period from January 1, 2000 through June 30, 2005, the Bloomberg Composite Rate expressed as rands per $1.00. The Bloomberg Composite Rate is a "best market" calculation. At any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications. The ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid and the lowest ask rate. We do not represent that the rand amounts referred to below could have been converted into dollar at any particular rate indicated or any other rate.

	Period end	Average	High	Low
Year				
2000	7.58	6.95	7.84	6.06
2001	11.96	8.61	12.46	7.52
2002	8.57	10.50	12.42	8.57
2003	6.68	7.54	9.05	6.20
2004	5.67	6.43	7.39	5.62
Month				
January 2005	5.99	5.98	6.13	5.65
February 2005	5.82	6.00	6.27	5.78
March 2005	6.24	6.05	6.36	5.76
April 2005	6.09	6.15	6.28	6.05
May 2005	6.81	6.35	6.81	5.95
June 2005	6.68	6.74	6.93	6.63

The Bloomberg Composite Rate of the U.S. dollar on June 30, 2005 was $1.00 = R6.68.

SUMMARY

This summary highlights information from this prospectus. It is not complete and does not contain all of the information that you should consider before investing in the notes. You should read this entire prospectus , carefully, including the "Risk Factors" section, our consolidated financial statements and the notes to those financial statements. Unless the context otherwise requires, all references to the "Company" "we," "us," or "our" refer to Cell C (Pty) Limited (or Cell C (Proprietary) Limited) and its subsidiaries on a consolidated basis.

Overview

We are the newest of the three mobile telecommunications companies operating in the Republic of South Africa. Following the grant of a 15-year licence to us, we commenced full commercial operations in November 2001 with the launch of our prepaid services and postpaid services in late 2001. Our two competitors, Vodacom (Pty) Limited, or Vodacom, and Mobile Telephone Networks (Pty) Limited, or MTN, both launched in 1994.

Since our launch, we have expanded rapidly. As of March 31, 2005, we had approximately 2.4 million active subscribers, consisting of approximately 500,000 postpaid subscribers and 1.9 million prepaid subscribers. In addition, since July 2003, we have provided community telephone services, or CSTs, through the deployment of manned public pay telephones to under-serviced areas across South Africa. CST service is available to the community at a reduced tariff and at preferential interconnect rates to operators as set by ICASA, our regulator. As of March 31, 2005, we had deployed 17,575 CSTs. We expect to have deployed 35,500 CSTs by the end of 2005 and reach our license obligations of 52,000 CSTs by the end of 2006. We estimate that, as of March 31, 2005, our active subscribers represent approximately 11% of the active subscriber market in South Africa. We estimate our share of the relatively higher ARPU postpaid market is greater than our overall market share, at 13.5%. We have 39.3% of the currently deployed CSTs in the country.

We provide our services through our own new and substantially complete, state-of-the-art digital GSM 900/1800 dual band mobile telephone network and by routing a portion of our customer traffic over Vodacom's GSM mobile telephone network under a long-term national roaming agreement. That agreement runs concurrently with our licence. Through this agreement, we have been able, since our launch, to provide coverage comparable to our competitors (approximately 95% of the South African population). As of March 31, 2005, we had a network of over 2,000 base stations providing coverage to all cities in South Africa with populations over 50,000. We have exceeded our final license network rollout requirement of 60% population and 8% geographic coverage two years early, with current population and geographical coverage of approximately 65% and 9%, respectively. We carry approximately 80% of our total traffic on our network, and intend to increase this percentage to 85% by the end of 2006 through the addition of 309 base stations. The addition of these stations will complete our planned rollout.

We market our services under the Cell C brand. We have established the Cell C brand as a distinctively South African brand with a national recognition rate comparable to the incumbent mobile networks. In marketing our services, we offer differentiated products tailored to satisfy both the usage profiles and payment preferences of our customers. We distribute our services through over 4,000 points of sale, consisting of our Cell C branded sales centres, independent dealers and wholesalers, national retail chains, a call centre and internet portal operated by a third party under our brand, and our direct sales force, as well as two long-established, non-exclusive service provider channels predominantly for postpaid services, Nashua Mobile and Autopage Cellular.

For the year ended December 31, 2004, we had revenues of R4.1 billion (€506.8 million), net cash outflow from operating activities of R988.5 million (€122.2 million) and a net loss of R680.7 million (€84.1 million) and for the quarter ended March 31, 2005, we had revenues of R1.2 billion (€147.9 million), net cash outflow from operating activities of R159.6 million (€19.7 million) and a net loss of R483.1 million (€59.7 million). In 2004, we generated EBITDA of negative R46.6 million (€5.8 million), but became EBITDA-positive on a monthly basis during the second quarter of 2004. For the quarter ended March 31, 2005, we generated EBITDA of R65.2 million (€8.1 million).

Strengths

We believe we benefit from a number of strengths. The combination of these strengths has enabled us to develop a competitive market position, including a stronger than expected postpaid subscriber mix for a third entrant. These strengths include:

Attractive network and coverage proposition. Our state-of-the-art network infrastructure and our roaming agreement with Vodacom enable us to provide high quality services to our customers across South Africa on a cost-efficient basis. Since commercial launch, we have been able to offer coverage to approximately 95% of the South African population, a level comparable to that of our competitors, through our roaming arrangement with Vodacom. This "instant" full coverage allowed us to establish our Cell C brand nationally and rapidly rollout distribution channels for our products and services on a nationwide basis. We believe that our operating licence and our national roaming agreement with Vodacom have provided us with substantial flexibility to optimally manage the rollout of our own network for maximum return on investment. Our roaming agreement has enabled us to identify areas of high traffic and thereafter to target such areas for the location of our base stations. As a result of our targeted network rollout, we currently carry approximately 80% of our traffic on our own network, with relatively limited capital investment. Furthermore, our roaming agreement enables us to extend to our subscribers all services currently offered or to be introduced by Vodacom's network. We, therefore, are now, and will continue to be, able to offer our customers a comprehensive range of services without having to incur significant costs to upgrade our network.

High margin community service telephone business. Under our licence, we are obligated to deploy 52,000 CSTs in under-serviced areas. These telephones are manned pay telephones that provide customers in under-serviced areas with telephony at a regulated, reduced calling rate of R0.90 per minute for national calls. The traffic generated by CSTs required to meet our licence obligations is entitled to preferential interconnect rates with other licenced fixed and mobile networks (approximately a blended R0.07 per minute versus a blended standard rate of approximately R1.05 per minute). Our competitors, MTN and Vodacom, have lower rollout requirements (7,500 and 22,500, respectively) and, hence, fewer units entitled to preferential rates. As of March 31, 2005, we had deployed 17,575 CSTs and expect to have deployed 35,500 CSTs by the end of 2005 and the balance in 2006, two years ahead of our 2008 deadline. In addition to generating higher ARPU and margins comparable to prepaids, CSTs enhance our brand in informal market areas (as a significant proportion of these phones are located in large distinctively branded container structures).

Strong black economic empowerment rating. South Africa has experienced a fundamental social shift in the past decade, one of the results of which has been a focus by municipal and other governmental bodies, businesses and others on the achievement of the goals of black economic empowerment, or BEE. One element of BEE is to give priority in procurement to enterprises that score well on objective BEE measures which have evolved informally into market practice. These include, among other things, ownership by BEE shareholder vehicles, purchasing from BEE vendors, employment of "historically disadvantaged" individuals and women, and commitment to training. Based in part on our ownership structure (CellSAf being a BEE entity representing 33 black empowerment groups), significant purchases from BEE vendors and workforce composition (77% of our employees are "historically disadvantaged" individuals and 43% are female), we believe our BEE credentials are stronger than those of our competitors. Our BEE credentials provide us with a competitive advantage in securing customers in the private sector that wish, or need, to procure services from companies with strong BEE ratings or from municipal and other governmental bodies acting in line with government BEE policy. For example, we recently won contracts from the City of Cape Town, an arm of the intelligence services, and a major financial institution, due in part to our BEE profile. We are also participating in the development of the Black Economic Empowerment Charter for the Information and Communications Technology (ICT) sector, which will formalise the BEE rating system for this sector.

Strong brand identity. We have established in the few years since our inception, and are actively promoting and developing, our distinctive South African brand. We believe that our brand has been and will continue to be a significant factor in our success. Despite our lower media budget compared to our competitors and our relatively shorter history, our brand recognition is comparable to our competitors, while our top of mind awareness consistently exceeds our market share. A key element of our success has been our effort to build our image as the champion of the South African mobile phone user community, focusing on enhancing value for subscribers as individuals with specific lifestyles. We reinforce our brand image through a combination of traditional media campaigns and community-based activities, including cultural event sponsorship.

Flexible, innovative product offerings. We emphasise value, simplicity and choice-for-individual-lifestyle to differentiate our product offering. We offer various value propositions across our product range, including discounted Cell C-to-Cell C calling rates, "friends & family" discounts, per second billing options, a unique prepaid flat rate tariff, international call discounts and a free "call-me-back" SMS feature. We also offer without charge various "lifestyle" incentives for all postpaid customers, such as roadside assistance, medical rescue and medical advice. Our service offering is simple and flexible. We strive to simplify the process by which subscribers apply for our services, locate, purchase and activate products, top-up prepaid airtime, switch between product options and obtain assistance. Our tariffs are easy to understand and easy to apply; we offer three prepaid tariff options and four main postpaid tariff options, as well as hybrid tariff options that provide a unique range of fixed, contract-based monthly subscriptions with a optional airtime top-up capability.

Flexible systems. We have state-of-the-art information technology that provides us with significant operational flexibility and, among other things, enables us to add or modify service offerings and leverage customer relationship management. For example, this flexibility allowed us to launch our hybrid product, Control Chat, which enables customers to select a pre-determined contract credit limit and thereafter optionally top up with prepaid vouchers.

Experienced management team. Our management team includes individuals with significant prior experience in operating and managing telecommunications businesses locally and internationally. The core of our management team has been with us since our formation and was responsible for the successful bid to obtain our licences and the formulation and implementation of our business plan and network rollout strategy. Through their prior association with Saudi Oger, our Chief Executive Officer and Chief Financial Officer have gained significant experience in managing large infrastucture projects in many parts of the world.

Strategy

Our objective is to enhance revenues and cash flows by strengthening our position in the growing South African mobile communications market and focusing on profitable growth opportunities. The key elements of our strategic plan are to:

- focus on quality subscriber growth, targeting higher ARPU customers, and the completion of our CST rollout;
- proactively manage customers to maximise revenues and minimise churn;
- further develop our product offerings;
- further develop our brand;
- improve operational efficiencies; and
- further diversify our sources of revenue.

Summary of Our Refinancing Program

The net proceeds to us from the sale of the notes will be approximately €218.4 million (R1,766.9 million) after deducting the initial purchaser's discounts and commissions and various other expenses related to the offering. We intend to use the net proceeds to repay an aggregate of €203.0 million of indebtedness borrowed from our principal shareholder. We will repay a junior liquidity facility in full and will repay a portion of a second liquidity facility (the "SOLF"), which is being amended to subordinate the balance that will remain outstanding thereunder (as so amended, the "subordinated liquidity facility"), as described under "Use of Proceeds." The issuance of the notes and the consummation of the foregoing transactions are referred to as the "Shareholder Loan Refinancing."

We are also issuing concurrently €400.0 million of senior secured notes to refinance (the "External Debt Refinancing") external indebtedness, which we refer to herein as the "Refinanced External Debt."

Based upon our consolidated balance sheet as of March 31, 2005, the following table sets forth the expected sources and uses of funds for the Shareholder Loan Refinancing and the External Debt Refinancing:

Sources of Funds	Amount	Uses of Funds	Amount[1]
	(€ in millions)		*(€ in millions)*
Senior secured notes	€400.0	Repayment of external debt[2]	€222.4
Senior subordinated notes offered hereby	225.0	Repayment of shareholder loans[3]	203.0
		Unwind of a cross-currency basis swap	34.0
		Fees and expenses	22.6
		Cash on balance sheet[4]	143.0
Total Sources	€625.0	**Total Uses**	€625.0

(1) Non-euro denominated amounts have been converted at March 31, 2005 exchange rates. See "Exchange Rates."

(2) Excludes an additional approximately €9.1 million of borrowings under an existing senior debt facility that has been drawn down since March 31, 2005.

(3) Includes an approximately €12.8 million of foreign exchange losses and capitalised interest on the Saudi Oger junior facility, the payment of which is triggered by the Shareholder Loan Refinancing.

(4) Includes approximately €9.1 million referred to in note (2), plus amounts required to pay accrued interest since March 31, 2005.

We are in discussions with a lender with respect to a new revolving credit facility in an aggregate principal amount of R500.0 million (€61.8 million).

You should read "Use of Proceeds," "Capitalisation" and "Description of Certain Other Indebtedness" for a more detailed description of our expected use of proceeds, capitalisation and financing arrangements.

The Offering

The summary below describes the principal terms of the senior subordinated notes and the senior subordinated guarantees. Certain of the terms and conditions described below are subject to important limitations and exceptions. The "Description of the Senior Subordinated Notes" section of this prospectus contains a more detailed description of the terms and conditions of the senior subordinated notes and the senior subordinated guarantees, including the definitions of certain terms used in this summary.

Issuer .... Cell C (Pty) Limited (Registration No. 1999/007722/07).

Notes Offered .... $270.0 million aggregate principal amount of 11% Senior Subordinated Notes due 2015 (the "senior subordinated notes").

Maturity Date .... July 1, 2015.

Interest Payment Dates .... Each January 1 and July 1, beginning January 1, 2006. Interest will accrue from the issue date of the notes.

Guarantees .... The payments of all amounts payable under the senior subordinated notes, including principal, premium, if any, and interest will be guaranteed on a senior subordinated basis by Cell C Service Provider Company (Pty) Limited (Registration No. 2001/008017/07) and Cell C Property Company (Pty) Limited (Registration No. 2001/008003/07) (the "guarantors"), our wholly owned subsidiaries. The indenture governing the senior subordinated notes (the "senior subordinated indenture") will also provide that any future Restricted Subsidiary, as defined under "Description of the Senior Subordinated Notes—Certain Definitions," will also guarantee the senior secured notes on the same basis. See "Description of the Senior Subordinated Notes—The Senior Subordinated Guarantees."

Denominations .... Each note will have a minimum denomination of $1,000 and will be offered only in increments of $1,000.

Ranking .... The senior subordinated notes will be our general unsecured obligations and will:

- be subordinated in right of payment to all of our existing and future senior indebtedness, including our obligations under a new revolving credit facility (if entered into) and the senior secured notes;
- be effectively subordinated to all of our existing and future secured indebtedness to the extent of the assets securing such indebtedness;
- rank equal in right of payment with all of our existing and future unsecured indebtedness that is not subordinated and is not senior in right of payment to the senior subordinated notes;
- rank senior in right of payment to all of our existing and future indebtedness that is subordinated in right of payment to the senior subordinated notes, including our deeply subordinated shareholder loans; and
- be subject to the restrictions on enforcement described under "Description of the Senior Subordinated Notes—Ranking of the Senior Subordinated Notes and the Senior Subordinated Guarantees; Subordination."

The senior subordinated guarantee of a guarantor will be the general unsecured obligation of such guarantor and will:

- be subordinated in right of payment to all of such guarantor's existing and future senior indebtedness, including such guarantor's obligations under its senior secured guarantee of the senior secured notes and the new revolving credit facility (if entered into);
- be effectively subordinated to all of such guarantor's existing and future secured indebtedness to the extent of the assets securing such indebtedness;
- rank equal in right of payment with all of such guarantor's existing and future indebtedness that is not subordinated and is not senior in right of payment to its senior subordinated guarantee;
- rank senior in right of payment to any and all of such guarantor's existing and future indebtedness that is subordinated in right of payment to its senior subordinated guarantee; and
- be subject to the restrictions on enforcement described under "Description of the Senior Subordinated Notes—Ranking of the Senior Subordinated Notes and the Senior Subordinated Guarantees; Subordination."

As of March 31, 2005, on a pro forma basis after giving effect to the Shareholder Loan Refinancing and the External Debt Refinancing, we would have had €1,038.7 million aggregate principal amount of indebtedness on an unconsolidated basis (including the notes), of which:

- €400.0 million would have been senior secured indebtedness represented by the senior secured notes and €3.7 million would have been senior unsecured indebtedness;
- €225.0 million would have been unsecured senior subordinated indebtedness represented by the senior subordinated notes; and
- €410.0 million would have been unsecured deeply subordinated indebtedness represented by the amended subordinated liquidity facility, the Saudi Oger term loans and the CellSAf term loan.

If our current discussions with a lender are successful, on a pro forma basis, we would have had an additional R500.0 million (€61.8 million) available for borrowing under a new revolving credit facility, which indebtedness if incurred would be secured senior indebtedness.

Although the senior subordinated indenture will contain limitations on the amount of additional indebtedness that we and our subsidiaries will be allowed to incur, the amount of such additional indebtedness could be substantial.

Optional Redemption . . . . We may redeem all or part of the senior subordinated notes at any time on or after July 1, 2010 at the redemption prices specified under "Description of the Senior Subordinated Notes—Optional Redemption," plus accrued and unpaid interest.

In addition, at any time prior to July 1, 2008, we may redeem up to 35% of the aggregate principal amount of senior subordinated notes with the net proceeds of public equity offerings at a redemption price equal to 111.0% of their principal amount, plus accrued and unpaid interest, if any.

Furthermore, at any time prior to July 1, 2010, we may also redeem all or part of the senior subordinated notes at a redemption price equal

	to 100% of the principal amount of the senior subordinated notes redeemed plus a "make-whole" premium, plus accrued and unpaid interest, if any. See "Description of the Senior Subordinated Notes—Optional Redemption."
Additional Amounts; Tax Redemption	All payments in respect of the notes will be made without withholding or deduction for any taxes or other governmental charges, except to the extent required by law. If withholding or deduction is required by law, subject to certain exceptions, we will pay additional amounts so that the net amount you receive is no less than that you would have received in the absence of such withholding or deduction. See "Description of the Senior Subordinated Notes—Additional Amounts." If certain changes in the law of any relevant taxing jurisdiction become effective that would impose withholding taxes or other deductions on the payments on the notes or the guarantees, we may redeem the notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, to the date of redemption.
Change of Control	If we experience an event treated as a "change of control," we will be required to offer to repurchase the notes at a purchase price equal to 101% of their aggregate principal amount, plus accrued and unpaid interest, if any, to the date of the purchase. For a summary of what constitutes a change of control, see "Description of the Senior Subordinated Notes—Purchase of Notes upon a Change of Control."
Certain Covenants	The senior subordinated indenture will contain covenants limiting, among other things, our ability and the ability of our restricted subsidiaries to: • incur additional indebtedness; • pay dividends or distributions on, redeem or repurchase our capital stock; • make certain restricted payments and investments; • create certain liens; • transfer or sell assets; • engage in sale and leaseback transactions; • incur layered debt; • merge or consolidate with other entities; and • enter into transactions with affiliates.
Use of Proceeds	We intend to use the net proceeds from the offering of the notes to repay certain existing shareholder loans. See "Use of Proceeds."
Listing	We have applied to list the notes on the EuroMTF in accordance with its rules.
Transfer Restrictions	We have not agreed, and do not intend in the future, to register the notes under the U.S. Securities Act. You may only offer or sell the notes in transactions that are exempt from, or not subject to, the registration requirements of the U.S. Securities Act. See "Plan of Distribution" and "Notice to Investors."

Trustee, Registrar and Principal Paying Agent . . . . The Bank of New York.

Governing Law . . . . New York.

Significant Shareholders; Shareholder Restructuring

We commenced commercial operations in November 2001. We are wholly owned by 3C Telecommunications (Pty) Limited, or 3C Telecommunications, which in turn currently is 60% owned by Oger Telecom (South Africa) (Pty) Limited, or Oger Telecom, and 40% owned by CellSAf (Pty) Limited, or CellSAf. Oger Telecom is wholly owned by Oger Telecom Bermuda which is in turn 90% owned by Saudi Oger Limited, or Saudi Oger. Accordingly, Saudi Oger is the beneficial owner of 54% of our share capital. However, Saudi Oger has the power to vote, or direct the voting of, 60% of the votes that may be cast at a general meeting of 3C Telecommunications.

In connection with a restructuring of its shareholder loans, CellSAf has agreed to transfer a portion of its shares in 3C Telecommunications (reducing its ownership to 25%), and 40% of the shareholder loans that it has extended to us, to Lanun Securities SA, a company owned by Rashid Engineering. Rashid Engineering is a Saudi engineering consulting firm, the founder of which, Nasser El-Rashid, among other things, is an engineering consultant to the King of Saudi Arabia. As a result of this transaction, which we refer to herein as the "Shareholder Restructuring," CellSAf will hold 25%, Lanun Securities will hold 15% and Oger Telecom will continue to hold 60%, directly of 3C Telecommunications and indirectly of our share capital. The Shareholder Restructuring is subject to various conditions, including approval by the Independent Communications Authority of South Africa, or ICASA, our regulator, the South African antitrust authorities (which has been granted) and the South African Reserve Bank ("SARB") of the share transfer and the corresponding changes to our licence. Neither element of the shareholder restructuring will proceed if the requisite approvals are not forthcoming.

Saudi Oger Limited

Saudi Oger Limited was founded in 1978 as a construction organization, with its headquarters in Riyadh. Since then, Saudi Oger has grown into a multi-company, multi-divisional organisation with subsidiaries and affiliates in the Kingdom of Saudi Arabia and in sixteen other countries across four continents. Saudi Oger has been responsible for the design, implementation, operations and maintenance of well over U.S.$25 billion of facilities in the Kingdom of Saudi Arabia and other countries over the past two decades. The main activities including all subsidiaries and affiliates of the company are: telecommunications, multi-media and information technology; operation and maintenance of machinery, equipment, systems and electronic installations; general contracting and building maintenance; electrical, mechanical and industrial works; landscaping and irrigation; utility development (power and water); banking and insurance; hotels and real estate development and hospital management.

Through Oger Telecom, Saudi Oger has substantial interests and activities in various telecom and information technology activities, including internet services and technology, fixed/mobile satellite services, fixed telephony, mobile GSM and CDMA telephony, other private networks and services and, through other group affiliates, broadcasting and cable television. Oger Telecom's mission is to position Saudi Oger as a leading operator and investor in telecom, multi-media and information technology in various parts of the world.

CellSAf (Pty) Limited

CellSAf was formed specifically to participate in us by a collection of black economic empowerment, or BEE, and historically disadvantaged groups. Through its shareholder base, CellSAf represents the interests of communities spread across the geographic regions where we operate. CellSAf shareholders include black-owned investment and technology groups, women-owned investment and technology groups, rural development trusts and small, medium and micro-enterprises, education and training groups, regional investment, and technology groups and social empowerment groups.

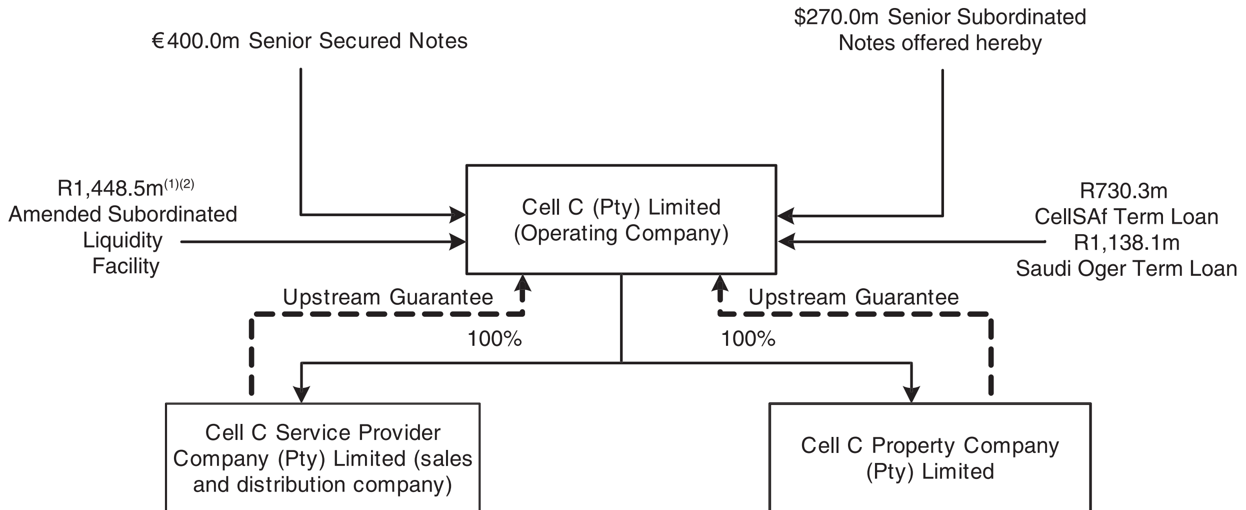
Risk Factors

Investing in the notes involves certain risks. See "Risk Factors" for a description of some of the risks you should consider before investing in the notes.

Our headquarters are located at 150 Rivonia Road, Sandown, 2196, South Africa. Our postal address is Private Bag X36, Benmore, 2010, South Africa. Our telephone number is +27 (11) 324 4000.

Organisational Structure

The following sets forth our corporate and financing structure after giving effect to the Shareholder Loan Refinancing and the External Debt Refinancing.



(1) As of March 31, 2005.

(2) Does not include additional borrowings and capitalised interest since March 31, 2005 of R110.8 million (€13.7 million).

If we enter into a new revolving credit facility, we will use amounts borrowed thereunder for capital expenditures and working capital.

Organisational Information

Cell C (Pty) Limited, a company organised under the laws of the Republic of South Africa pursuant to the Republic of South Africa Companies Act, 1973, as amended (the "Companies Act"), was incorporated on April 6, 1999 under the registration number 1999/007722/07. Clause No. 2 of our Memorandum of Association states that our main purpose is the operation and maintenance of machines, equipment and telecommunication networks, telephones, mobile telephones and pagers; trading in and the wholesale sale and credit sale of telephones, telexes, pagers, mobile telephones; the operation and maintenance of machines, systems and appliances and electrical constructions.

Cell C Property Company (Pty) Limited, a company organised under the laws of the Republic of South Africa pursuant to the Companies Act, which was incorporated on April 6, 2001 under the registration number 2001/008003/07, currently holds no assets. Cell C Property Company (Pty) Limited was initially formed to purchase real property on behalf of the group. Subsequent to its formation, Cell C Property entered into a number of leases for real property necessary for the operation of the group's business, but has not purchased any real property as was initially intended. As a result, it has been decided that Cell C Property will be dissolved. Upon receiving landlord consent from certain leases to which it is a party, Cell C Property will assign these leases to Cell C (Pty) Limited. Upon the assignment of leases (its only remaining liability), Cell C Property will file for dissolution under the Companies Act. Cell C Property has an authorised capital of 4,000 ordinary shares, par value R1.00 each, with 101 shares issued and outstanding, all of which are held by Cell C (Pty) Limited.

Cell C Service Provider Company (Pty) Limited, a company organised under the laws of the Republic of South Africa pursuant to the Companies Act was incorporated on April 6, 2001 under the registration number 2001/008017/07 and provides sales and distribution services to us. Clause No. 2 of Cell C Service Provider Company (Pty) Limited's Memorandum of Association states that its main purpose is distributing, supplying and importing cellular telephones and procuring the distribution of cellular telephones and providing services in connection therewith. Cell C Service Provider has an authorized capital of 4,000 ordinary shares, par value R1.00 each, with 101 shares issued and outstanding, all of which are held by Cell C (Pty) Limited.

We are the ultimate borrower in respect of the notes. We can in all circumstances reasonably be expected to meet our commitments.

Summary Historical Financial Data

The following table sets out our summary historical financial and operating data. The summary financial data as of and for the fiscal years ended December 31, 2002, 2003 and 2004 were derived from our audited consolidated financial statements and notes thereto, which appear elsewhere in this prospectus. Those financial statements have been audited by KPMG Inc., as stated in their reports thereon included elsewhere in this prospectus. Our consolidated financial statements were prepared in accordance with IFRS.

Our summary historical financial and operating data presented below for each of the three month periods ended March 31, 2004 and 2005 are derived from our unaudited consolidated financial statements for such periods included elsewhere in this prospectus and, in the opinion of management, include all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the financial results for such periods. Interim results are not necessarily indicative of the results that may be expected for any other interim period or the full year.

The summary financial data set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and notes thereto included elsewhere in this prospectus.

	Year ended December 31,			Three months ended March 31,		
	2002	2003	2004	2004	2005	2005
	(Rand) (audited)	*(Rand) (audited)*	*(Rand) (audited)*	*(Rand) (unaudited)*	*(Rand) (unaudited)*	*(€) (unaudited)*
			(in millions)			
Consolidated income statement data						
Revenue	1,242.3	2,461.2	4,099.6	879.1	1,196.9	147.9
Other income	1.5	3.2	1.6	0.1	0.5	0.1
Operating expenses						
Cost of hardware sales	(1,012.5)	(868.1)	(903.4)	(181.3)	(211.0)	(26.1)
Payments to other operators	(487.3)	(1,052.7)	(1,154.8)	(311.4)	(322.4)	(39.9)
Commissions, incentives and other cost of sales	(61.9)	(424.5)	(886.7)	(181.7)	(294.5)	(36.4)
Selling, general and administrative expenses	(652.2)	(693.5)	(614.5)	(165.2)	(132.3)	(16.4)
External services rendered	(215.9)	(115.5)	(61.4)	(17.4)	(12.0)	(1.5)
Employee expenses	(221.4)	(331.6)	(386.4)	(97.9)	(120.5)	(14.9)
Operating lease costs	(50.2)	(102.8)	(140.7)	(32.1)	(39.5)	(4.9)
Depreciation and amortisation	(217.0)	(472.3)	(629.8)	(143.5)	(166.0)	(20.5)
Operating loss	(1,674.6)	(1,596.5)	(676.4)	(251.3)	(100.8)	(12.6)
Investment income	19.5	34.3	16.8	2.6	1.3	0.2
Loss before financing and taxation	(1,655.1)	(1,562.2)	(659.6)	(248.7)	(99.5)	(12.3)
Finance gains (losses)	683.1	354.3	56.6	51.1	(383.6)	(47.4)
Loss before tax	(972.0)	(1,207.9)	(603.0)	(197.6)	(483.1)	(59.7)
Income tax[(1)]	545.0	296.6	(77.7)	—	—	—
Loss for year	(426.6)	(911.3)	(680.7)	(197.6)	(483.1)	(59.7)
Consolidated balance sheet data (as at period end)						
Cash and cash equivalents	16.1	275.1	256.2	439.1	203.7	25.2
Total external debt[(2)]	1,156.4	1,390.3	1,676.1	1,540.2	1,828.8	226.1
Net external debt[(3)]	1,140.3	1,115.2	1,419.9	1,101.1	1,625.1	200.9
Total assets	3,611.2	4,940.1	5,782.6	5,095.7	5,561.7	687.5
Total equity	(1,027.2)	(1,412.9)	(2,093.6)	(1,610.5)	(2,576.7)	(318.5)
Total shareholder funding[(4)]	1,395.4	2,135.4	2,496.6	2,311.7	2,382.5	294.5
Consolidated cash flow data						
Net cash outflow from operating activities	(1,809.9)	(1,185.7)	(988.5)	(322.7)	(159.6)	(19.7)
Net cash outflow from investing activities	(1,229.4)	(1,196.2)	(926.6)	(225.0)	(147.9)	(18.3)
Net cash inflow from financing activities	2,874.5	2,640.9	1,896.1	711.7	255.0	31.5
(Decrease)/increase in cash and cash equivalents	(164.8)	259.0	(19.0)	164.0	(52.5)	(6.5)
Other financial data						
Capital expenditures	1,229.4	1,197.0	931.8	225.0	147.9	18.3
Depreciation and amortisation	217.0	472.3	629.8	143.5	166.0	20.5
EBITDA[(5)]	(1,457.6)	(1,124.1)	(46.6)	(107.8)	65.2	8.1
Pro forma net external debt[(6)]					3,725.3	460.5
Pro forma cash interest expense on external debt[(7)]					116.1	14.4

(1) Only computed on a semi-annual and annual basis.

(2) Total external debt means total long-term debt, less shareholder loans. See "Capitalisation."

(3) Net external debt is total external debt less cash and cash equivalents.

(4) Shareholder funding means shareholders' equity plus shareholder loans. "See Capitalisation."

(5) EBITDA is defined as earnings/(loss) before interest, tax, depreciation and amortisation. We believe that EBITDA provides meaningful additional information to investors because it is commonly reported and is widely accepted by analysts and investors as a basis for comparing a company's underlying operating profitability with that of other companies in our industry. This is particularly the case in a capital-intensive industry such as mobile telecommunications. It is also a widely accepted indicator of a company's ability to service its long-term debt and other fixed obligations and to fund its continued growth. EBITDA is not an IFRS or U.S. GAAP measure. You should not construe EBITDA as an alternative to operating profit or loss or cash flows from operating activities determined in accordance with IFRS or U.S. GAAP as a measure of liquidity. EBITDA is not defined in the same manner by all companies and may not be comparable to other similarly titled measures of other companies unless the definition is the same. See "Selected Historical Financial Data" for a reconciliation of EBITDA to net losses.

(6) Pro forma net external debt represents net external debt, adjusted to reflect:

- the issuance of the senior secured notes;
- the issuance of the senior subordinated notes offered hereby; and
- the elimination of the Refinanced External Debt.

See "Summary of our Refinancing Program," "Use of Proceeds" and "Capitalisation."

(7) Pro forma cash interest expense on external debt represents interest expense for the three months ended March 31, 2005, adjusted to reflect:

- the elimination of interest expense associated with the Refinanced External Debt;
- the addition of R279.1 million of annual interest expense associated with the senior secured notes; and
- the addition of R185.3 million of annual interest expense associated with the senior subordinated notes.

See "Summary of our Refinancing Program, "Use of Proceeds" and "Capitalisation."

Operating Data

The following table sets forth operating data for our services at the dates, and for the periods, presented:

	As of December 31,		As at March 31,	
	2003	2004	2004	2005
Subscribers (period end)(1)				
Postpaid	303,536	459,589	327,949	504,187
Prepaid(2)	1,440,510	1,701,960	1,452,151	1,882,584
Churn rate(3)				
Blended	48%	38%	45%	15%
Postpaid	7%	12%	9%	9%
Prepaid(4)	54%	44%	52%	17%
ARPU(5)				
Blended	114	128	128	123
Postpaid	409	391	391	358
Prepaid	65	66	70	60
CSTs (period end)				
Number of active units	5,141	15,129	6,342	17,575
ARPU (per unit)	2,717	2,808	2,583	3,082

(1) Subscribers, which we refer to herein as "active subscribers," includes all connected postpaid and prepaid subscribers who have made a revenue-generating incoming or outgoing call, SMS, MMS or other revenue-generating event, during the preceding three months. This category does not include users of our CSTs.

(2) Represents subscribers connected through Cell C Service Provider, Autopage Cellular and Nashua Mobile, and does not include subscribers obtained from two service providers we terminated in the second quarter of 2004 in connection with the restructuring of our commission and incentive program to eliminate arbitrage opportunities. Including the subscribers attributable to the terminated service providers, total prepaid subscribers would have been 1,600,908 at the end of 2003 and churn would have been 65% in 2003 and 2004. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Revenue—Subscriber Growth."

(3) Churn generally refers to the loss of subscribers for any reason, including a subscriber's choice to use the service of a competitor, non-payment or the migration of subscribers between our prepaid and postpaid product offerings. We define annual churn as the sum of annualised monthly churn divided by 12. Postpaid churn refers to postpaid subscribers who have been disconnected from our network in a given month expressed as a percentage of the opening base of postpaid subscribers during such month. We define prepaid churn rates as referring to those prepaid subscribers who have become inactive during the current month expressed as a percentage of the opening base of active prepaid subscribers in the same month. Our definitions are not necessarily those used by our competitors. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors affecting revenue—Churn rate."

(4) Based on prepaid subscribers as adjusted as described in note (2).

(5) Average monthly revenue per user ("ARPU") may not be comparable to similarly titled measures reported by other companies. ARPU is determined for each period by dividing service revenue and roaming revenue for such period by the monthly average subscribers for such period (customers at the beginning of the month plus customers at the end of the month, divided by two) and dividing that result by the number of months in such period. We believe ARPU is viewed as a relevant supplemental measure of performance in our industry. ARPU should not be used in isolation or as an alternative measure of performance under IFRS.

RISK FACTORS

An investment in the notes involves a high degree of risk. You should carefully consider the following risks, together with other information provided to you in this prospectus, in deciding whether to invest in the notes. The occurrence of any of the events discussed below could harm us. If these events occur, the trading prices of the notes could decline and we may not be able to pay all or part of the interest or principal on the notes, and you may lose all or part of your investment. Additional risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.

This prospectus contains "forward-looking" statements that involve risks and uncertainties. Our actual results may differ significantly from the results discussed in such forward looking statements. Factors that might cause such differences include those discussed below. See "Information Regarding Forward-Looking Statements."

Risks related to our operations

We have a history of net losses and may not become profitable in the future if we fail to successfully grow our operations.

We launched full commercial operations in November 2001 and have incurred net losses each year since our inception. We had net losses of approximately R911.3 million (€112.6 million) and R680.7 million (€84.1 million) for the years ended December 31, 2003 and 2004, respectively, and a net loss of approximately R483.1 million (€59.7 million) for the three months ended March 31, 2005. In addition, each of our subsidiaries has experienced losses for the years ended December 31, 2003 and 2004 as we built out our network. Cell C Property Company (Pty) Limited, whose sole function is to hold title to our leased property, is in the process of dissolution. See "Listing and General Information — Organisational Information."

We expect to have quarter-to-quarter fluctuations in expenses, some of which could be significant, as we make capital expenditures to continue to expand our business. The growth of our operations will depend on a number of significant financial, logistical, technical, marketing, competitive and other factors, the outcome of which cannot be predicted. If we are unable to grow and become profitable, we may not be able to service our debt, including the notes, and may need to obtain additional financing if we continue to lose money.

A high rate of churn would negatively impact our business.

Mobile telecommunication companies, including us, experience varying rates of customer disconnections or suspensions of service, also known as "churn." We believe that customers change mobile telecommunications companies for the following reasons:

- service offerings;
- price;
- call quality;
- coverage area; and
- customer service.

A high rate of churn would adversely affect our results of operations because of loss of revenue and because the cost of adding new subscribers, which generally includes a commission expense and/or a handset subsidy, is a significant factor in income and profitability for participants in the mobile telecommunications industry. If we fail to successfully rollout our network, successfully introduce GPRS to the market and/or successfully offer other new services ahead of, or no later than, our competitors, we may experience increased churn rates.

In addition, approximately 79% of our customers are prepaid customers, who typically change mobile telecommunications providers more frequently than postpaid customers, which has resulted in higher churn rates than anticipated. If we are unable to retain prepaid customers or successfully increase the number of our postpaid customers relative to our prepaid customers, we may experience a greater degree of churn rate than our competitors, which could have an adverse effect on our business, financial condition or results of operations.

Fluctuations in the value of the rand could have a significant impact on our ability to service our existing debt, including the senior subordinated notes and the senior secured notes.

We realise substantially all of our revenues, and incur a significant portion of our costs and expenses, in rand. A substantial portion of our debt is denominated in foreign currencies. After giving effect to this offering

and the application of the proceeds to repay existing debt, a substantial portion of our non-rand debt will be denominated in euro and the U.S. dollar. In recent years, the value of the rand as measured against the euro and the U.S. dollar fluctuated considerably. In particular, the rand has significantly appreciated against both currencies over 2003 and 2004, compared to prior years, then depreciated against both currencies during the first quarter of 2005.

The continued strength of the rand against foreign currencies, in particular against the euro and U.S. dollar, over 2003 and 2004 compared to previous years had a significant impact on our financial position in three ways. First, it improved our net asset value by decreasing liabilities denominated in foreign currencies in relation to our assets, each presented in rand on our balance sheet. Second, it had a negative impact on our liquidity by increasing the cash amounts in rand that we had to deposit with hedge counterparties as collateral under the terms of our hedging instruments and by decreasing the value, expressed in rand, of foreign currency denominated funds available for borrowing in relation to our working capital and capital expenditure requirements that are denominated predominantly in rand. Third, we import handsets and are subject to any unhedged fluctuations relative to these purchases.

Foreign exchange rate fluctuations in the future, in particular in relation to the rand against the euro and the U.S. dollar, will continue to have a direct impact on our financial position, liquidity and results of operations. If significant, this may affect our ability to service our foreign currency denominated debt, including payments in dollars on the notes and payments in euro on our senior secured notes, and may also have an adverse effect on our business, financial condition or results of operations.

We expect to enter into hedging arrangements with respect to a portion of our interest rate and/or currency exposure under the notes. These arrangements will not fully protect us against currency fluctuations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosure About Credit and Market Risks."

Disruptions in our interconnection with other telecommunications networks could create disruptions in our service and have an adverse effect on our results of operations.

Our network must interconnect with other telecommunications networks for us to offer our services to customers. For example, in order to provide commercially viable mobile services, we must be able to interconnect with the telecommunications networks of existing and future fixed-line and mobile operators in South Africa as well as internationally. We have entered into interconnection agreements with Vodacom and MTN for mobile services and with Telkom SA Limited, or Telkom, for fixed-line services, in order to provide full geographic coverage in South Africa. We cannot control the quality or the investment and maintenance activities that are required for these operators to provide us with interconnection to their networks. Any difficulties or delays in interconnecting with these networks, or failure by one of our contractual partners to fulfil its obligations in a timely fashion, could have an adverse effect on our business, financial condition or results of operations.

Under applicable law, we may not net off payments owed to other providers against amounts owed to us, and thus we are subject to risk of delayed or contested interconnection payments due to us. As discussed below, we recently commenced legal action against MTN in respect of interconnection payments owed to us.

In addition, as a net receiver of interconnect revenue, a material decrease in interconnection rates could reduce our margins or cause us to offer mobile telecommunications services at non-competitive prices.

Increases in the regulated interconnect rates for our CSTs or adverse rulings in certain administrative and court proceedings relating to the rollout of our CSTs and interconnect fees could have a material adverse effect on the results of our operations.

CSTs represent an opportunity for us to earn high margin revenue due to the preferential interconnect rates set by our regulator, ICASA. These preferential rates are available for our CSTs and those of our competitors and are part of our respective license obligations. If ICASA were to permit higher interconnect rates for CSTs, our margins would be adversely affected. In addition, if other operators, whether competitors or new entrants, were granted the right to deploy CSTs at preferential interconnect rates and if those operators were to seek to deploy CSTs in the same high density areas that drive our CST-associated ARPUs, our results could be adversely affected.

MTN has filed a court application against ICASA seeking to set aside its approval of our CST rollout on the basis that certain administrative procedures were not properly followed. MTN has also disputed the approval of

the location for certain of our CSTs as not constituting "under-serviced" areas. We were joined as a second respondent to the administrative proceeding and have filed a motion to dismiss MTN's claim on the basis that the application is time barred. We and MTN recently entered into discussions which we believe will result in the submission of the issues in dispute (which turn on the definition of an "under-serviced" area) to a court of competent jurisdiction for a declaratory judgment. There can be no assurance that MTN will agree to such a submission, and we cannot predict the outcome of the declaratory judgment proceedings. If MTN is successful in any of these proceedings, approval for the rollout of our CSTs may be set aside or a court may define "under-serviced" areas in a manner resulting in some of our existing CSTs no longer qualifying for preferential rates, each of which could have an adverse effect on our business, financial condition or results of operations.

Beginning in September 2004, MTN began withholding interconnect fees for our CSTs on the basis that we are not entitled to preferential interconnect rates. We have filed a claim against MTN for the interconnect fees that have been withheld by MTN. As a result of MTN's failure to pay these amounts, we have withheld interconnect fees due to MTN. The net amount due to us as of March 31, 2005 is approximately R75 million. If we are unsuccessful in our claim against MTN or MTN is successful in the administrative proceeding against ICASA, we may not recover these amounts and other competitors may bring similar suits. An adverse ruling or judgment or additional litigation could have an adverse effect on our business, financial condition or results of operations.

We have also been named as a defendant in an action brought by an association representing pay phone operators raising the same definitional issues as have been raised in the MTN proceeding regarding CSTs in under-serviced areas. The plaintiff in this action may stay the action pending the outcome of the declaratory judgment proceeding involving MTN. It is unclear whether the plaintiff has standing to bring its action. If the association is successful in its proceeding, it could have an adverse effect on our business, financial conditions or results of operations.

We depend on a limited number of suppliers for our network equipment. Our business and results of operations could be adversely affected if our suppliers raise their prices or fail to provide us with adequate supplies of network equipment and maintenance support on a timely basis.

We acquired most of our network equipment, such as switching equipment, base transceiver stations, base station controllers and network software, from Siemens Telecommunications (Pty) Limited, or Siemens, under the terms of our supply agreements. Although our network utilises standard equipment which is produced by several suppliers, we cannot be certain that we can obtain mobile network equipment and ongoing maintenance support from alternative suppliers on a timely basis if Siemens or our other current suppliers are unable to satisfy our equipment requirements, particularly if the growth in demand for mobile network equipment exceeds our suppliers' ability to meet such demands. Our results of operations could be adversely affected if Siemens or an alternate supplier fails to provide us with adequate supplies of equipment as well as ongoing maintenance support.

Suppliers may sometimes extend delivery times, limit supplies and increase the prices of supplies because of their own supply limitations and other factors. Our results of operations and financial condition could be adversely affected if the price of our required supplies rises significantly.

Our business and profitability depend on the reliability and performance of our network infrastructure.

We must operate our network, including our national roaming and interconnection arrangements with other network operators, so as to minimise any disruption that may occur in the delivery of our services. The operation and growth of our network and the implementation of new technologies and services involve operating risks that may disrupt our services and cause unforeseen losses. Disruptions in the network and the availability of our services could lead to a loss of customers, damage to our reputation and violations of the terms of our licences and contracts with customers. These failures could also lead to significant negative publicity, regulatory problems and litigation, which could have an adverse effect on our business, financial condition or results of operations.

We continue to rely on Vodacom's network to carry a portion of our traffic. We do not have control over Vodacom's network, or its ability to provide services. If Vodacom failed to provide roaming, our business would be disrupted.

We provide services through our own network and through routing calls over Vodacom's network under the terms of a national roaming agreement. Currently, we carry approximately 80% of our total traffic on our own network. If Vodacom fails to provide roaming, our services would be disrupted.

In addition, under the terms of our roaming agreement with Vodacom, we are required to make minimum payments to Vodacom of R28.0 million per month (subject to inflation-related adjustment) during the next five years, which is a fixed cost to us. If during this period volume of traffic or tariff rates are lower than we currently anticipate, our profit margin would be reduced, which could have an adverse effect on our business, financial condition or results of operations.

We can only operate our business for as long as we have a licence from the South African government.

We conduct our operations pursuant to our operating and spectrum licences granted to us by the ICASA in 2001. Our licences are valid until 2016. At the end of this 15-year period, we may request renewal of our licences from ICASA. We cannot be certain that our licences will not be revoked, that they will be extended when necessary, or, if extended, as to the terms on which they may be renewed.

Additionally, the interpretation and application of the technical standards used to measure the rollout requirements under our operating licence, including the requirements regarding population coverage and minimum quality standards, and other operating licence provisions may not be certain, and disagreements may arise in the future between us, ICASA and other operators. If we are found to be in material breach of our operating licence, our licence conditions may be forfeited and our operating licence may be revoked, which would have an adverse effect on our business, financial condition or results of operations.

We lease the land on which our base stations are located and may not be able to maintain these leases.

Our interests in the immovable property on which our base stations and call centres are situated consist of leasehold or, in the case of co-located base stations, site sharing arrangements. A loss of these interests, including losses arising from the default by one or more of our lessors under their mortgage financing, would interfere with our ability to conduct our business and to generate revenues. Our inability to protect our rights to the land under our base stations could have an adverse effect on our business, financial condition or results of operations.

Potential inflation may have a negative impact on our customer base.

The annual rate of inflation, as measured by South African Consumer Price Index (CPI), increased by 4.1% in 2004, 5.8% in 2003, 9.2% in 2002 and 5.7% in 2001. A substantial portion of our current prepaid customer base is in the low end category that tends to be more sensitive to price increases and may spend less as a result. If inflation increases in the future, this may make our services less affordable to some of our customers, and in particular our prepaid customers, who may then use our services less frequently or stop using our services and mobile telephones generally. As a result, our revenues and our margins, as well as demand for mobile telephone services generally, may not grow at rates that we currently anticipate, or could decrease. This could have an adverse effect on our business, financial condition or results of operations.

Network capacity limitations may adversely affect our ability to accommodate the growth of our customer base.

The number of customers that can be accommodated on a mobile network is constrained by the amount of spectrum allocated to the operator or the network and is also affected by customer usage patterns and network infrastructure. A number of techniques can be employed to increase the effective carrying capacity of a given allocation of spectrum, but beyond a certain point, it may become impracticable to apply these techniques in densely populated metropolitan areas because of cost reasons or technological limitations and additional spectrum will be required.

The amount of spectrum currently allocated to our network may not be sufficient to accommodate the growth of our customer base beyond our forecasted market share. As a result, we may seek to acquire additional spectrum in the future. We may not be able to acquire any additional spectrum, or additional capital necessary for that purpose may not be available on acceptable terms or at all. If sufficient additional capital is not available, to the extent we are able to complete any spectrum acquisition, the amount of funding available to us for our existing business would be reduced.

Our future operating results could fluctuate significantly.

We believe that our future operating results and cash flows may fluctuate due to many factors, some of which are outside our control. These factors include the following:

- fluctuations in the demand for our services and equipment and mobile telecommunications services in general;

- increased competition, including price competition;
- changes in the regulatory environment in South Africa;
- the cost and availability of equipment components, including handsets;
- increased costs we may incur in connection with the rollout of our networks and the further development, expansion and upgrading of our mobile telecommunications system;
- acts of terrorism, political tensions, unforeseen health risks, unusual weather patterns and other catastrophic occurrences that could affect travel and demand for our services; and
- changes in general economic conditions that may affect, among other things, demand for our services and the credit worthiness of our customers.

As a relatively new market participant, we are particularly susceptible to these factors which could have an adverse effect on our business, financial condition or results of operations.

We may have difficulty managing our growth.

Our rapid development has required significant management, information technology and operational resources and is likely to do so in the future. The management of such growth has required, and will continue to require, the training of new personnel and the expansion of our management, operational and financial control systems. Failure to successfully manage our growth and development needs through our existing managerial and operational resources could have an adverse effect on our business, financial condition or results of operations.

If we lose key personnel or if we are unable to hire and retain highly qualified employees, our business operations could be disrupted and our ability to compete could be harmed.

We compete with other telecommunications service providers for qualified operating, sales, marketing, administrative, financial and technical personnel. Our success depends in large part on our ability to hire and retain highly qualified employees who possess the requisite qualifications and technical skills. We expect that competition for employees in the South African communications industry will increase as new competitors enter the market.

Although we have formal employment agreements with a majority of our senior management, they may terminate their employment with us at any time. If we lose key members of our senior management our business operations could be disrupted and our ability to compete could be harmed. In addition, a small number of key management and operational personnel manage our business. We rely on our principal shareholders to provide certain of these key personnel. The loss of our key personnel or the failure to successfully recruit qualified employees could impair our ability to execute our business plan and therefore have an adverse effect on our business, financial condition or results of operations.

Our principal shareholders are able to exercise significant influence on management.

We are wholly owned by 3C Telecommunications. Saudi Oger beneficially owns 54% of the outstanding shares of 3C Telecommunications, effectively controlling 60% of the vote, and CellSAf currently owns 40% of 3C Telecommunications. If the Shareholder Restructuring is implemented, CellSAf will hold 25%, and our new investor will hold 15%, of 3C Telecommunications. Accordingly, our principal shareholders can directly and indirectly exercise significant influence over our affairs, including controlling decisions made by our board of directors, such as the approval of acquisitions and other extraordinary business transactions. If the interests of our principal shareholders conflict with your interests, our principal shareholders may take actions that have an adverse effect on your interests. For example, the interests of our principal shareholders would conflict with your interests if we faced financial difficulties and were unable to comply with our obligations to you under the notes. In addition, our shareholders may cause our business to pursue strategic objectives that may adversely affect your interests as a noteholder.

Risks related to the mobile telecommunications industry

We operate in a highly regulated market, which limits our flexibility to respond to market conditions and competition.

We must comply at the national level with an extensive range of requirements that regulate the licensing, construction and operation of our network and the conduct of our business in South Africa. Our business and results of operations could be materially adversely affected by changes in law, regulation or government policies

directed at the mobile telecommunications market in which we operate. In particular, decisions by regulators and competition authorities concerning the granting, amendment or renewal of licences to us or third parties, or decisions relating to tariffs, including the retail and interconnect rates for CSTs, or efforts by these bodies to expand new markets, or to require the accessibility of our network to mobile virtual network operators or to deny our access to third-party networks could have an adverse effect on our business, financial condition or results of operations.

Competition in the mobile telecommunications market in South Africa may result in a reduction in our average tariffs and our market share and increased acquisition and retention costs, which could cause our growth rates and operating revenue to decline and net losses to increase.

There currently are three operators in the South African mobile telecommunications market: Vodacom, which is owned by Telkom, Venfin Limited and Vodafone Group Plc; MTN and us. At March 31, 2005, Vodacom, MTN and we had approximately 53%, 36% and 11%, respectively, of the total South African market of 22.2 million active subscribers. Our competitors are larger than we are, possess greater resources and more extensive coverage areas and, in the case of Vodacom, may benefit from being partly owned by Telkom, the largest communications services provider in Africa based on operating revenue and assets. We may not be able to compete successfully with larger companies that have substantially greater resources than we do. See "Business—Competition."

ICASA had indicated that it intended to issue a licence for global mobile personal communications services in early 2004 and conducted a feasibility study on the licensing of a fourth mobile operator in 2004 or later. Although the study has been completed, it has not been made public and no government announcements in this regard have been forthcoming. Increased competition, together with further liberalisation of the South African telecommunications industry, may result in a reduction in our average tariffs and market share and increase our customer acquisition and retention costs. This could cause our growth rates and revenue to decline and our operating costs to increase, which could have an adverse effect on our business, financial condition or results of operations.

We may be unable to recover the substantial capital and operational costs associated with mobile number portability. Additionally, the implementation of number portability may decrease our customer retention and increase our marketing costs.

Mobile number portability is due to be launched by the end of 2005, and we expect to be required to implement mobile number portability not later than the first quarter of 2006. Mobile number portability will allow customers to keep their mobile phone numbers when switching to a different network operator. We will incur substantial set-up and maintenance time and costs in connection with the implementation of mobile number portability, which could disrupt our business operations. To the extent that we are unable to comply with these requirements in the required time frame or are unable to substantially recover the costs of compliance, our business operations could be disrupted and our net losses could increase.

We anticipate mobile number portability will increase price competition and reduce retention. A delay in the implementation of mobile number portability may have an adverse effect on our business as we believe that we are well-positioned to benefit from the introduction of mobile number portability because it will be easier for us to churn subscribers from our competitors. However, the reverse may be true and our competitors may be better able to churn subscribers from us. In such an event, we would be required to reduce pricing and take other measures to match competitors' initiatives to retain customers and attract new customers, which could have an adverse effect on our business, financial condition or results of operations.

The government's convergence policy could increase the number of competitors in the mobile telecommunications market, which could have an adverse effect on our results of operations.

The government of South Africa is considering granting other mobile telecommunications operators access to our network and the networks of Vodacom and MTN in order to facilitate increased service options to the public. As a result, new entrants into the mobile telecommunications market, as well as alternative mobile services, may be able to compete with us without incurring substantial capital costs. Lowering the barriers to entry into the mobile telecommunications market could increase the number of our competitors, which in turn could lower our tariff revenue and have an adverse effect on our business, financial condition or results of operations.

Our growth depends on increased demand for mobile telecommunications services in South Africa.

The development of our business depends on increases in demand for mobile telecommunications services in South Africa. The size of our future customer base will be affected by a number of factors that are beyond our control, including:

- general economic conditions in South Africa;
- the continued increase in the rates of HIV/AIDS infection;
- the development and level of competition in the South African mobile telecommunications market; and
- the potential development of rival telecommunications technologies.

A significant economic downturn in South Africa could slow the rate of customer growth or cause a decline in average monthly usage per customer, which could have an adverse effect on our business, financial condition and results of operations.

Continuing rapid changes in technologies could increase competition or require us to make substantial additional investments. The failure to obtain funding for such investments on commercially acceptable terms could jeopardise our expansion plans and harm our competitive position.

The services we offer are technology intensive. The development of new technologies could increase competition and make our technology obsolete. Rapid and significant changes in technology are evidenced by:

- the increasing pace of technological upgrades;
- evolving industry standards;
- the availability of new radio frequency spectrum allocations for mobile telecommunications services;
- ongoing improvements in the capacity and quality of digital technology;
- shorter development cycles for new products and enhancements;
- developments in emerging mobile telecommunications transmission technologies; and
- changes in customer requirements and preferences.

We may have to make substantial additional investments in new technologies to remain competitive. New technologies we choose may not prove to be commercially successful. In addition, the cost of implementing new technologies, upgrading our networks or expanding capacity could be significant. As a relatively new market entrant, we have made substantial capital expenditures to rollout our network with current technology. We may be required to make additional capital expenditures sooner than anticipated in order to respond to new technical challenges. To the extent these capital expenditures exceed our cash resources, we will seek additional debt or equity financing. Our ability to obtain additional financing on favourable commercial terms will depend on a number of factors, including:

- our financial condition;
- the condition of the economy and the mobile telecommunications industry in South Africa; and
- the cost of financing and conditions in financial markets.

The failure to obtain funding for our capital expenditures on commercially acceptable terms could jeopardise our expansion plans and harm our competitive position. As a result, we could lose customers, fail to attract new customers or incur substantial costs in order to maintain our customer bases, which could disrupt our business operations and could have an adverse effect on our business, financial condition or results of operations.

Equipment failure and disasters may adversely affect our operations.

A major equipment failure or a disaster that affects our mobile telephone switching offices, microwave links, third-party owned local and long distance networks on which we rely, our cell sites or other equipment or the networks of other providers on which our subscribers roam could have a material adverse effect on our operations. While we have insurance coverage and various disaster recovery systems and procedures for some of these events, our inability to operate our mobile telecommunications system even for a limited time period may result in a loss of subscribers or impair our ability to attract new subscribers, which could have an adverse effect on our business, financial condition or results of operations.

Delays in the development and supply of communications equipment may hinder the deployment of new technologies and cause our growth rates to decline and net losses to increase.

Our operations depend in part upon the successful and timely supply of evolving mobile telecommunications technologies. We use technologies from a number of vendors and make significant capital expenditures in connection with communications technologies. If technologies are not developed by our suppliers on time or do not perform according to expectations or achieve commercial acceptance, we may be required to delay service introductions and make additional capital expenditures and we could be required to write-off investments in failed technology, which could have an adverse effect on our business, financial condition or results of operations.

Operating a mobile telecommunications network involves inherent risk of fraudulent activities and potential abuse of our services, which may cause loss of revenues and non-recoverable expenses.

There is an inherent risk in operating a mobile telecommunications network with regard to potential abuse by individuals, groups, businesses or other organisations who use our mobile telecommunications services and avoid paying for them. The effects of such fraudulent activities may be, among others, the loss of revenue due to us and out-of-pocket expenses which we will have to pay to third parties in connection with those services, such as interconnect fees, payments to international operators overseas and payments to content providers. Such payments may be non-recoverable. Although we have implemented fraud management and revenue assurance procedures, these procedures may not be adequate or fully effective, current and future fraudulent activities could have an adverse effect on our business, financial condition or results of operations.

We may incur bad debt expenses and recognise less revenue.

There is an inherent risk in providing postpaid provider services with regard to non-payment of customer debt which in a given period may reduce our cash flow. Our screening processes, deposit schemes and restrictions on access to our services in the event of non-payment may not be effective in limiting our bad debt exposure. Consequently, we may have a significant number of customers that are unable to pay their bills on time, if at all, which could have an adverse effect on our business, financial condition or results of operations.

Actual or perceived health risks relating to mobile handsets or transmission masts and any related publicity or litigation could make it difficult to find attractive sites for base stations and reduce our growth rates, customer base and average usage per customer.

Concern has been expressed that electromagnetic signals from mobile handsets and base stations, which serve as antennae for transmitting radio signals, may pose a health threat. Actual or perceived risks of mobile handsets or base stations and related publicity or litigation could make it difficult to find attractive sites for base stations and reduce our growth rates, customer base and average usage per customer. In the event that future evidence demonstrates or could be interpreted as demonstrating that such health risks exist, the use of mobile phones could be subject to regulations which, for example, could limit emission levels from handsets or transmitter sites or could require additional investment in implementing technologies to reduce health risks, or could expose us to liability. Such regulation could have an adverse effect on our business, financial condition or results of operations. We are not insured for losses that might arise from health risks associated with mobile phone use.

Risks related to the Republic of South Africa

The regulatory environment for the telecommunications industry in South Africa is evolving and final regulations addressing a number of significant matters have not yet been issued. The interpretation of existing regulations or the adoption of new policies or regulations that are unfavourable to us, could disrupt our business operations and could have an adverse effect on our results of operations.

The provision of telecommunications services in South Africa is subject to extensive regulation. The regulatory environment is developing, lacks clarity in a number of areas and is subject to interpretation, review and amendment as the telecommunications industry is further developed and liberalised. In addition, the regulatory process entails a public comment process, which, in light of the politicised issue of liberalisation of industries such as telecommunications in South Africa, makes the outcome of the regulations uncertain and may cause delays in the regulatory process.

In addition, ICASA, which regulates and supervises the allocation of frequency spectrum and which oversees the general competitiveness of the mobile telecommunications market in South Africa, was only

established in 2000. Upon its establishment, ICASA inherited a legacy of regulatory problems from its predecessors. It has been reported that ICASA may currently lack adequate resources to effectively fulfil its regulatory and licensing functions and to deal with regulatory challenges that continue to change given the rapidly evolving telecommunications environment. This combination of factors creates further uncertainties in the regulatory arena and the ability of ICASA to effectively fulfil its functions. In addition to ICASA oversight, the Minister of Communications retains discretion over various regulatory aspects of the telecommunications market. The government has stated publicly that it is committed to bringing universal and affordable telecommunications services to the population of South Africa, and addressing the needs of historically disadvantaged communities. We expect that, as a result of this policy, the telecommunications industry will undergo liberalisation and the framework to extend and deepen competition will be extended to all sectors in the medium- to long-term. In the short-term, we expect a number of regulatory initiatives that are part of the government's managed liberalisation program to be put into place over the next few months.

We cannot predict the ultimate outcome or timing of any amendments or modifications to applicable regulations or the interpretation thereof, the release of new regulations or their impact on us. Although we have no reason to believe that ICASA will act in a manner that is prejudicial to our interests, changes in the regulation of telecommunications services in South Africa, the imposition of unfavourable terms in our licences or the loss or unfavourable amendment of any licence could disrupt our business operations and could have an adverse effect on our business, financial condition or results of operations.

We may be required to pay additional licence fees.

As consideration for our operating licence, we agreed with ICASA to pay R100.0 million, payable in 12 equal instalments beginning in 2004, and a fee of 1% per annum of the audited fee income, or LFI. LFI is the total annual invoiced airtime revenue less discounts, VAT and other direct taxes, derived from customers and end users and adjusted for interconnect fees or charges and bad debt incurred. It is first payable in 2005, based on 2004 LFI.

The variable licence fee is subject to review after November 2006 and may be increased by ICASA to a percentage no higher than the percentage licence fee paid to similarly licenced operators, which is currently 5% of LFI. We cannot predict the amount, if any, to which our licence fee may increase after 2006. Any increase, if significant, could have an adverse impact on our business, financial condition or results of operations.

South African exchange control restrictions could hinder our ability to make foreign investments and procure foreign denominated financings.

South Africa's exchange control regulations restrict business transactions between residents of the Common Monetary Area, which consists of the Republic of South Africa, the Republic of Namibia, the Kingdom of Lesotho and the Kingdom of Swaziland, and non-residents of the Common Monetary Area. In particular, South African companies:

- are generally not permitted to export capital from South Africa or to hold foreign currency in excess of certain limits without the approval of the South African exchange control authorities;
- are generally required to repatriate to South Africa profits of foreign operations;
- are limited in their ability to utilise profits of one foreign business to finance operations of a different foreign business;
- are prohibited from using transfer pricing and excessive interest rates on foreign loans as a means of expatriating currency; and
- are limited as to the amount of foreign borrowings that can be held as loans rather than equity.

These restrictions could hinder our ability to make foreign investments and procure foreign-denominated financings in the future. While the South African government has relaxed exchange controls in recent years, it is difficult to predict whether or how it will further relax or abolish exchange control measures in the future, if at all.

Although we obtained the approval of the SARB for the issuance of notes under this prospectus, we cannot guarantee that we will be able to obtain the necessary approval for the incurrence of additional foreign-denominated debt in the future.

Political and economic instability in South Africa or regionally could cause the size of the South African telecommunications market, our growth rates and operating revenue to decline and our net losses to increase.

We are incorporated and based, and currently derive substantially all of our revenues from customers, in the Republic of South Africa. As a result, the political and economic conditions in South Africa impact us. South Africa has recently been transformed into an emerging democracy. Large parts of the South African population do not have access to adequate education, health care, housing and other services, including water, electricity and telecommunications services. Government policies aimed at alleviating and redressing the disadvantages suffered by the majority of citizens under previous governments may have an adverse impact on our operations.

South Africa has high levels of unemployment, poverty and crime. These problems have hindered investments in South Africa, have prompted emigration of skilled workers and have impacted economic growth negatively. Recently, the South African economy has been growing at a relatively slow rate, inflation and unemployment have been high by comparison with developed countries and foreign reserves have been relatively low. Although it is difficult to predict the effect of these problems on South African businesses or the South African government's efforts to solve them, these problems could cause the size of the communications market and our growth rates and operating revenue to decline.

Further, there has been regional political and economic instability in the countries surrounding South Africa. The resulting political and economic instability in the region could have a negative impact on the South African economy, which in turn could have an adverse effect on our business, financial condition or results of operations.

There are risks associated with investing in emerging markets such as South Africa.

International investors generally consider South Africa as an emerging market, and as such South Africa is subject to many risks, including:

- adverse changes in its economic and governmental policy;
- relatively low levels of consumer's disposable income;
- relative instability of new institutions;
- shifts in regulation that we cannot predict;
- inconsistent application of existing laws and regulations; and
- slow legal remedies.

We cannot assure you that political, economic, social and other developments in South Africa or other neighbouring or emerging markets will not have an adverse effect on the market value and liquidity of the notes.

Investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, an investment in the notes is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved. Investors should also note that emerging markets are subject to rapid change and the information contained in this prospectus may quickly become outdated.

The high rates of HIV/AIDS infection in South Africa could cause the size of the South African mobile telecommunications market and our growth rates and operating revenue to decline.

South Africa has one of the highest HIV/AIDS infection rates in the world. The exact impact of increased mortality rates due to HIV/AIDS associated deaths on the cost of doing business in South Africa and the potential growth in the economy is unclear at this time. Employee-related costs in South Africa are expected to increase as a result of the HIV/AIDS epidemic, and the size of the South African population and mobile telecommunications market could decline. Our growth rates and operating revenue could decline if employee-related expenses or the size of the population and mobile telecommunications market decline.

The cost of compliance with South African labour laws could impact our business.

Since 1995, South Africa has enacted various labour laws that enhance the rights of employees, which have imposed costs on us. Significant labour disputes, work stoppages, increased employee expenses as a result of the collective bargaining and the cost of compliance with labour laws could have an adverse effect on our business, financial condition or results of operations.

Risks relating to the notes

Our business may be adversely impacted as a result of our substantial indebtedness, which requires the use of a significant portion of our cash flow and may limit access to additional capital. Our ability to generate sufficient cash in the future depends on many factors, some of which are beyond our control.

As of March 31, 2005, on a pro forma basis after giving effect to the offerings of the senior subordinated notes and the senior secured notes and the application of the proceeds as described under "Use of Proceeds," we would have had total senior debt of €403.7 million, substantially all of which would have been secured, senior subordinated debt of €225.0 million, and debt subordinated to the senior subordinated notes of €410.0 million.

Our substantial indebtedness could have important consequences for holders of the notes. For example, it is likely to:

- require us to dedicate a significant portion of our cash flow from operations to payments on indebtedness, thereby reducing the availability of our cash flow to fund working capital and capital expenditures and other general corporate purposes;
- increase our vulnerability to general adverse economic and industry conditions;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- limit our ability to make strategic acquisitions or take other corporate actions;
- place us at a competitive disadvantage compared to competitors who have less indebtedness; and
- limit our ability to borrow additional funds and increase the cost of any such borrowings, particularly because of the financial and other restrictive covenants contained in the indenture governing the notes.

Our ability to make payments on and repay or refinance our debt, including the notes, and to fund working capital requirements, capital expenditures or business opportunities that may arise, such as acquisitions of other businesses, will depend on our future operating performance and ability to generate cash. This will depend, to some extent, on general economic, financial, competitive, market and other factors, many of which are beyond our control. We may incur other debt in the future that may contain financial or other covenants more restrictive than those contained in the indenture governing the notes.

We believe that our expected cash flows, together with the proceeds from the offering of the notes and available borrowings, will be adequate to meet our anticipated needs. However, we cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us in an amount sufficient to enable us to pay our debt, including the notes, when due or to fund our other capital requirements or any operating losses. If our future cash flows from operations and other capital resources are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to:

- reduce or delay our business activities and capital expenditures;
- sell assets;
- obtain additional debt or equity capital;
- restructure or refinance all or a portion of our debt, including the notes, on or before maturity; or
- forego opportunities such as acquisitions of other businesses.

We cannot assure you that we would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. In addition, the terms of our existing and future debt, including the notes, may limit our ability to pursue any of these alternatives.

Your right to receive payments under the senior subordinated notes is contractually subordinated, and your right to receive payments under and take enforcement action with respect to the senior subordinated notes is limited in certain circumstances.

The indenture governing the senior subordinated notes will contain provisions to subordinate the senior subordinated notes in right of payment to all of our existing and future senior debt, including obligations under the senior secured notes and the new revolving credit facility. This indenture will also contain provisions restricting the rights of holders of the senior subordinated notes to take enforcement action against us in certain circumstances. These subordination and other provisions will generally provide:

- that in a distribution to our creditors in an insolvency proceedings or other similar events, all holders of senior debt must receive payment in full before the holders of the senior subordinated notes will be entitled to receive payment in full, except for permitted junior securities;
- customary turnover provisions by the senior subordinated notes trustee and the holders of the senior subordinated notes for the benefit of the holders of our senior debt;
- that if a payment default on any of our designated senior debt of ours has occurred and is continuing, we may not make any payment in respect of the senior subordinated notes, except for certain permitted junior securities, until such default is cured or waived;
- that if a default other than a payment default occurs and is continuing on any designated senior debt of ours that permits the holders thereof to accelerate its maturity and the senior subordinated notes trustee receives a notice of such default, we may not make any payment in respect of the senior subordinated notes, except for certain permitted junior securities, until the earlier of the date on which the default is cured or waived and 179 days after the date on which the applicable payment blockage notice is received (unless the majority of any designated senior debt has been accelerated); and
- that the holders of the senior subordinated notes and the senior subordinated notes trustee are prohibited without the prior consent of the applicable senior agent or trustee, from taking any enforcement action against us unless (i) certain insolvency or reorganisation events have occurred in relation to us; (ii) the holders of designated senior debt have taken any enforcement action, including, among other things initiating insolvency proceeding or taking other legal actions, in relation to us; or default has occurred under the senior subordinated notes and (i) the senior subordinated notes trustee has notified the applicable senior agent or trustee, (ii) a standstill period of not less than 179 days has passed from the date the applicable senior agent or trustee was notified of the default, and (iii) at the end of such standstill period, the default is continuing and has not been waived by the holders of the senior subordinated notes or the senior subordinated notes trustee.

By accepting a senior subordinated note, you will be deemed to have agreed to these restrictions. As a result of these restrictions, holders of the senior subordinated notes will have limited remedies and recourse against us in the event of a default. See "Description of the Senior Subordinated Notes—Subordination of the Senior Subordinated Notes."

Restrictions in the indenture governing the senior subordinated notes and the indenture governing the senior secured notes may limit our ability to operate our business.

The indenture governing the senior subordinated notes and the indenture governing the senior secured notes contain covenants that limit the discretion of our management with respect to certain business matters. For example, these covenants will significantly restrict our ability and that of our subsidiaries to, among other things:

- incur additional debt;
- pay dividends or distributions on, redeem or repurchase our share capital;
- make certain restricted payments and investments;
- create certain liens;
- transfer or sell assets;
- engage in sale and leaseback transactions;
- incur layered debt;
- merge or consolidate with other entities; and
- enter into transactions with affiliates.

These covenants could have a material adverse effect on our ability to finance our future operations or capital needs or to engage in other business activities that may be in our best interests. See "Description of Certain Other Indebtedness" and "Description of Senior Subordinated Notes—Certain Covenants."

Despite our current levels of indebtedness, we and our subsidiaries may still be able to incur substantially more debt.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future, including in connection with any future acquisition. The terms of the senior subordinated indenture governing the notes will limit, but not prohibit, us or our subsidiaries from doing so. If we incur new debt in addition to that currently owed, the related risks that we now face, as described above, could become more significant.

We may have difficulty incurring additional indebtedness that would satisfy our liquidity needs.

The senior subordinated indenture permits us to incur, among other indebtedness, €75 million of indebtedness under credit facilities, pursuant to which we expect to borrow up to R500 million of indebtedness under a new revolving credit facility (which we expect would be secured senior indebtedness). Our intention is to incur this debt shortly after the closing of the offering of the notes. There can be no assurance that we will be able to incur this indebtedness on acceptable terms or at all. If we are unable to incur the R500 million of indebtedness, we would have less liquidity, which might require us to reduce our capital expenditures. This in turn could impact the implementation of our growth strategy.

We may not be able to raise the funds necessary to finance a change of control offer required by the senior subordinated indenture or the senior secured indenture. Our inability to do so would result in an event of default under the indentures.

Under the terms of the senior secured indenture and the senior subordinated indenture, we are required to offer to repurchase the notes upon the occurrence of a change of control as defined in the indentures. If a change of control were to occur, we may not have sufficient funds at the time of a change of control to repurchase the notes, and would expect that we would require third-party financing to do so. We cannot assure you that we would be able to obtain this financing on favourable terms, if at all. A change of control may result in an event of default under our other indebtedness, including our new revolving credit facility. Our future indebtedness may also contain restrictions on repayment requirements with respect to certain events or transactions that could constitute a change of control under the senior subordinated indenture.

The change of control provisions contained in the senior subordinated indenture may not protect holders of the notes in the event of certain highly leveraged transactions, including reorganisations, restructurings or mergers, because these transactions may not involve a change in voting power or beneficial interest of the magnitude required to trigger the change of control provisions. See "Description of the Senior Subordinated Notes—Purchase of Senior Subordinated Notes upon a Change of Control."

Fraudulent conveyance statutes under South African law may limit your rights as a holder of the notes to enforce the security provided by the guarantors.

Our obligations under the notes are guaranteed by the guarantors, and each of the guarantees may be subject to review under the laws of "impeachable transactions" provisions of the Republic of South Africa where we operate. The following discussion of fraudulent transfer and conveyance law, although an overview, describes generally applicable terms and principles, as described under South African statutes.

In an insolvency proceeding, it is possible that creditors of the guarantors may challenge the guarantees and intercompany obligations as fraudulent transfers or conveyances. If so, such laws may permit a court, if it makes certain findings, to:

- avoid or invalidate all or a portion of the guarantors' obligations under the guarantees;
- direct that holders of the notes return any amounts paid under a guarantee to the relevant guarantor or to a fund for the benefit of its creditors; and
- take other action that is detrimental to you.

If we cannot satisfy our obligations under the notes and any senior subordinated guarantee is found to be a fraudulent transfer or conveyance, we cannot assure you that we can ever repay in full any amounts outstanding under the notes. In addition, the liability of each guarantor under the senior subordinated indenture will be limited to the amount that will result in its guarantee not constituting a fraudulent conveyance or improper corporate distribution, and there can be no assurance as to what standard a court would apply in making a determination of the maximum liability of each guarantor.

In order to initiate any of these actions under fraudulent transfer principles, courts typically must determine that, at the time the senior subordinated guarantees were issued, the guarantor:

- issued such guarantee with the intent of hindering, delaying or defrauding current or future creditors; or
- received less than reasonably equivalent value for incurring the debt represented by the guarantees on the basis that the guarantees were incurred for our benefit, and only indirectly for the guarantor's benefit, or some other basis and (i) was insolvent or rendered insolvent by reason of the issuance of the guarantee, (ii) was engaged, or about to engage, in a business or transaction for which the guarantor's assets were unreasonably small or (iii) intended to incur, or believed it would incur, debts beyond its ability to make required payments as and when they would become due.

Different jurisdictions evaluate insolvency on various criteria, but a guarantor is generally considered insolvent at the time it issued a guarantee if:

- its liabilities exceeded the fair market value of its assets;
- it cannot pay its debts as and when they become due; or
- the present saleable value of its assets is less than the amount required to pay its total existing debts and liabilities, including contingent liabilities, as they become matured or absolute.

We cannot assure you which standard a court would apply in determining whether a guarantor was "insolvent" as of the date the guarantees were issued, that, regardless of the method of valuation, a court would not determine that a guarantor was insolvent on that date or that a court would not determine, regardless of whether or not a guarantor was insolvent on the date its guarantee was issued, that payments to holders of the notes constituted fraudulent transfers on other grounds.

The insolvency laws of the Republic of South Africa may not be as favourable to you as the bankruptcy laws of the jurisdiction with which you are familiar.

The insolvency laws of South Africa may not be as favourable to your interests as a creditor as the laws of the jurisdiction with which you are familiar. In the event of insolvency, the claims of holders of notes would be subject to the insolvency laws of South Africa. The following is a brief description of certain aspects of insolvency law in South Africa.

Any creditor, or the debtor itself, may initiate insolvency proceedings in South Africa. Generally a guarantor or an issuer will be considered an insolvent company if:

- its liabilities exceed the fair market value of its assets;
- it is unable to pay its debts as and when they become due; or
- the saleable value of its assets is less than the amount required to pay its total existing debts and liabilities, including contingent liabilities, as they become mature or absolute.

After the initiation of liquidation proceedings, the debtor must refrain from any actions that are not in the ordinary course of business and which would reduce its assets. Under the Insolvency Act, 1936 (the "Insolvency Act"), a court may set aside a disposition of property not made for value by an insolvent company. A court will set aside such a disposition if:

- the disposition was made two years before the liquidation of the insolvent company's estate, and it is proved that, immediately after the disposition was made, the liabilities of the insolvent company exceeded its assets;
- the disposition was made within two years of the liquidation of the insolvent company's estate, and the person who benefited by the disposition is unable to prove that, immediately after the disposition was made, the assets of the insolvent company exceeded its liabilities.

In either case, if it is proved that "at any time after the making of an impeachable disposition" the liabilities of the insolvent company exceeded its assets by an amount less than the "value of the property disposed of," then the disposition may be set aside only to the extent of such excess.

The Insolvency Act makes provision for the setting aside of a disposition of the debtor's property which is made not more than six months before the liquidation, if immediately after the making of such disposition the liabilities of the debtor exceeded the value of its assets. If the person in whose favour the disposition was made proves that the disposition was made in the ordinary course of business and that it was not intended thereby to prefer one creditor above another, then such disposition may not be set aside.

The Insolvency Act also provides that if a debtor made a disposition of its property at a time when its liabilities exceeded its assets, with the intention of preferring one of its creditors above another, and it is thereafter liquidated, the court may set aside the disposition. A surety for the debtor and a person in a position by law analogous to that of a surety is deemed to be a creditor of the debtor concerned.

The Insolvency Act makes provision for the setting aside of all dispositions where the insolvent company, prior to insolvency and in collusion with another person, disposed of property belonging to the company in a manner which had the effect of prejudicing its creditors or of preferring one creditor over another. There is legal

authority which states that in order for any transaction to be set aside under this provision, the transaction must have been concluded with a fraudulent intention.

A disposition which was completed and thereafter set aside by the court, or a disposition which was not completed, does not give rise to any claim in competition with the creditors of the estate. In the latter case, however, where the disposition was one of suretyship, guarantee or indemnity, the creditors in whose favour the suretyship, guarantee or indemnity was executed may compete with the creditors of the estate for an amount not exceeding the amount of the excess of the insolvent company's assets over its liabilities immediately before making the disposition.

Under South African insolvency law, there are three types of creditors, namely:

- preferred creditors;
- secured creditors; and
- concurrent creditors.

Preferred creditors are entitled to payment out of the free residue of the estate (that portion which is not subject to any security interests) in preference to concurrent creditors. A secured creditor is one who holds security for its claim in the form of a special mortgage, landlord's legal hypothec, pledge or right of retention. A secured creditor is entitled to be paid out of the proceeds of the property subject to the security, after payment of certain expenses and any secured claim which ranks higher. If the proceeds of the encumbered property are insufficient to cover the secured creditor's claim, it has a concurrent claim for the balance. Should the secured creditor choose to rely exclusively on its security, it waives the right to participate in the free residue.

Concurrent creditors do not enjoy any advantage over other creditors of the insolvent company. Concurrent creditors are paid out of the free residue after any preferred creditors have been paid. Concurrent creditors all rank equally. Should the free residue be insufficient to meet their claims each receives an equal portion of its claim by way of a dividend.

There is no established trading market for the notes and no assurance that you will be able to sell your notes.

There is no existing market for the notes. We have made an application to list the notes on the EuroMTF in accordance with the rules of that exchange. The initial purchaser of the notes has informed us that it intends to make a market in the notes after completing this offering. It is not, however, obligated to do so. Any market-making that is commenced may be halted at any time. In addition, changes in the overall market for high yield securities and changes in our financial performance or in the markets in which we operate may adversely affect the liquidity of any trading market in the notes that does develop and any market price quoted for the notes. As a result, we cannot assure you that an active trading market will actually develop for the notes.

Historically, the markets for non-investment grade debt such as the notes have been subject to disruptions that have caused substantial volatility in their prices. Any market for the notes may be subject to similar disruptions. Any disruptions may have an adverse effect on the holders of the notes.

Transfer of the notes will be subject to certain restrictions.

We have not agreed to register, and do not intend to register, the notes under the U.S. Securities Act or any U.S. state securities laws. You may not offer or sell the notes, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. You should read the discussion under the heading "Notice to Investors" for further information about these transfer restrictions. It is your obligation to ensure that your offers and sales of notes within the United States and other countries comply with any applicable securities laws.

You may not be able to recover in civil proceedings, for U.S. securities laws violations.

We are incorporated and organized under the laws of the Republic of South Africa. As of the date of this offering, our directors and officers are not residents of the United States and all of our assets are located, and substantially all our cash flow is generated, outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon our directors and officers, or to enforce against any of them judgments obtained in U.S. courts predicated upon civil liability provisions of the federal securities laws of the United States. In addition, there is doubt as to the enforceability in South Africa, in original actions or actions for the enforcement of judgments of U.S. courts, of civil liabilities predicated solely upon the federal securities laws of the United States.

USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of the notes will be approximately €218.4 million (R1,766.9 million) after deducting the initial purchaser's discounts and commissions and various other expenses related to the offering. We intend to use the net proceeds to repay an aggregate of €203.0 million of indebtedness to effect our Shareholder Loan Refinancing as follows:

- We will repay in full the R1,197.2 million principal outstanding under a $178.0 million liquidity facility provided by our shareholder, Saudi Oger. As of March 31, 2005, the interest rate under this facility was 4.6%.
- We will repay R445.1 million of the R1,893.6 million principal outstanding under the SOLF, a shareholder loan facility provided by our shareholder, Saudi Oger. This facility bears interest at JIBAR plus 2.5% per annum. As of March 31, 2005, the interest rate under this facility was 9.8%. As part of the refinancing, in order to harmonise the SOLF with relevant provisions of our debt post this offering, including the indenture, we will amend the SOLF. See "Description of Certain Other Indebtedness."

We are also issuing concurrently with this offering €400 million of senior secured notes as part of our External Debt Refinancing.

Based upon our consolidated balance sheet as of March 31, 2005, the following table sets forth the expected sources and uses of funds for the Shareholder Loan Refinancing and the External Debt Refinancing:

Sources of Funds	Amount	Uses of Funds	Amount[1]
	(€ in millions)		*(€ in millions)*
Senior secured notes	€400.0	Repayment of external debt[2]	€222.4
Senior subordinated notes offered hereby	225.0	Repayment of shareholder loans[3]	203.0
		Unwind of a cross-currency basis swap	34.0
		Fees and expenses	22.6
		Cash on balance sheet[4]	143.0
Total Sources	€625.0	**Total Uses**	€625.0

(1) Non-euro denominated amounts have been converted at March 31, 2005 exchange rates. See "Exchange Rates."

(2) Excludes an additional approximately €9.1 million of borrowings drawn down after March 31, 2005.

(3) Includes approximately €12.8 million of foreign exchange losses and capitalised interest on the Saudi Oger junior facility, the payment of which is triggered by the Shareholder Loan Refinancing.

(4) Includes the approximately €9.1 million referred to in note (2), plus amounts required to pay accrued interest since March 31, 2005.

We intend to use the new revolving credit facility (if entered into) and future operating cash flows to fund, among other things, the further growth of our business and the introduction of new services. The new revolving credit facility is expected to be available for drawing for 36 months following its signing.

You should read "Capitalisation" and "Description of Certain Other Indebtedness" for a more detailed description of our expected use of proceeds, capitalisation and financing arrangements.

CAPITALISATION

The table below presents our consolidated cash and capitalisation as of March 31, 2005 on an actual basis and as adjusted to reflect the Shareholder Loan Refinancing and the External Debt Refinancing.

You should read this table together with our consolidated financial statements and the notes to those consolidated financial statements, and the information under "Use of Proceeds", "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" and "Description of Other Indebtedness."

Other than as reflected below, there have been no material changes to our capitalisation since March 31, 2005, other than additional borrowings under an existing senior debt facility of approximately €9.1 million and under our SOLF of approximately R110.8 million (€13.7 million).

	As of March 31, 2005			
	Actual	As adjusted(1)	Actual	As adjusted(1)
	(rand in millions)		(euro in millions)	
Cash and cash equivalents	203.7	1,360.1	25.2	168.2
Long term debt (including current portion):				
Senior debt:				
Revolving credit facility	224.4	—	27.7	—
Siemens vendor financing	204.4	—	25.3	—
SACE facility	383.0	—	47.3	—
Hermes facility	387.4	—	47.9	—
DBSA facility	300.0	—	37.1	—
IDC facility	300.0	—	37.1	—
Other debt	29.6	29.6	3.7	3.7
First Priority Senior Secured Notes due 2012(2)	—	3,236.0	—	400.0
Total senior debt	1,828.8	3,265.6	226.1	403.7
Senior subordinated debt:				
Senior Subordinated Notes due 2015	—	1,820.3	—	225.0
Total external debt	1,828.8	5,085.9	226.1	628.7
Shareholders funding:				
Issued capital	525.5	525.5	65.0	65.0
Accumulated loss	(3,102.3)	(3,102.3)	(383.5)	(383.5)
Shareholders loans(3)	4,959.2	3,316.9	613.0	410.0
Total shareholders funding	2,382.5	740.2	294.5	91.5
Total capitalisation	4,211.2	5,826.1	520.6	720.2

(1) After the closing of this offering, we may enter into a new R500.0 million three-year revolving credit facility with a South African bank. This facility will be secured by certain accounts receivable, representing at closing approximately 50% of our accounts receivable. See "Description of Certain Other Indebtedness." This facility is not reflected in this table.

(2) Our senior secured notes will be secured by a pledge of all or substantially all of our assets, with the exception of certain accounts receivable, representing at closing approximately 50% of our accounts receivable, which will secure our new revolving credit facility (if entered into).

(3) Represents:

	Actual	As adjusted
	(rand in million)	
SOLF	1,893.6	—
Amended subordinated liquidity facility(a)	—	1,448.5
Saudi Oger junior facility	1,197.2	—
CellSAf term loan(b)	730.3	730.3
Saudi Oger term loans(c)	1,138.1	1,138.1
Total shareholders loans	4,959.2	3,316.9(d)

(a) Amended SOLF to subordinate to the senior secured notes and senior subordinated notes.

(b) 40% of these shareholder loans are to be transferred, subject to ICASA approval of the Shareholder Restructuring, to Lanun Securities, and a portion of the loans will be transferred to Saudi Oger. See "Summary—Significant Shareholders."

(c) Represents loans from Saudi Oger either directly or through 3C Telecommunications. See "Description of Certain Other Indebtedness."

(d) The principal amount of shareholders loans, as adjusted, will be increased to reflect the payment of foreign exchange losses on the Saudi Oger junior facility.

SELECTED HISTORICAL FINANCIAL DATA

The following table sets out our selected historical financial and operating data. The selected financial data as of and for the fiscal years ended December 31, 2002, 2003 and 2004 were derived from our audited consolidated financial statements and notes thereto, which appear elsewhere in this prospectus. Those financial statements have been audited by KPMG Inc., as stated in their reports thereon, included elsewhere in this prospectus.

Our selected historical financial and operating data presented below for each of the three month periods ended March 31, 2004 and 2005 are derived from our unaudited consolidated financial statements for such periods included elsewhere in this prospectus and, in the opinion of management, include all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the financial results for such periods. Interim results are not necessarily indicative of the results that may be expected for any other interim period or the full year.

The selected financial data set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the notes thereto included elsewhere in this prospectus.

	Year ended December 31,			Three months ended March 31,		
	2002	2003	2004	2004	2005	2005
	(Rand) (audited)	*(Rand) (audited)*	*(Rand) (audited)*	*(Rand) (unaudited)*	*(Rand) (unaudited)*	*(€) (unaudited)*
			(in millions)			
Consolidated income statement data						
Revenue	1,242.3	2,461.2	4,099.6	879.1	1,196.9	147.9
Other income	1.5	3.2	1.6	0.1	0.5	0.1
Operating expenses						
Cost of hardware sales	(1,012.5)	(868.1)	(903.4)	(181.3)	(211.0)	(26.1)
Payments to other operators	(487.3)	(1,052.7)	(1,154.8)	(311.4)	(322.4)	(39.9)
Commissions, incentives and other cost of sales	(61.9)	(424.5)	(886.7)	(181.7)	(294.5)	(36.4)
Selling, general and administrative expenses	(652.2)	(693.5)	(614.5)	(165.2)	(132.3)	(16.4)
External services rendered	(215.9)	(115.5)	(61.4)	(17.4)	(12.0)	(1.5)
Employee expenses	(221.4)	(331.6)	(386.4)	(97.9)	(120.5)	(14.9)
Operating lease costs	(50.2)	(102.8)	(140.7)	(32.1)	(39.5)	(4.9)
Depreciation and amortisation	(217.0)	(472.3)	(629.8)	(143.5)	(166.0)	(20.5)
Operating loss	(1,674.6)	(1,596.5)	(676.4)	(251.3)	(100.8)	(12.6)
Investment income	19.5	34.3	16.8	2.6	1.3	0.2
Loss before financing and taxation	(1,655.1)	(1,562.2)	(659.6)	(248.7)	(99.5)	(12.3)
Finance gains (losses)	683.1	354.3	56.6	51.1	(383.6)	(47.4)
Loss before tax	(972.0)	(1,207.9)	(603.0)	(197.6)	(483.1)	(59.7)
Income tax[(1)]	545.4	296.6	(77.7)	—	—	—
Loss for year	(426.6)	(911.3)	(680.7)	(197.6)	(483.1)	(59.7)
Consolidated balance sheet data (as at period end)						
Cash and cash equivalents	16.1	275.1	256.2	439.1	203.7	25.2
Total external debt[(2)]	1,156.4	1,390.3	1,676.1	1,540.2	1,828.8	226.1
Net external debt[(3)]	1,140.3	1,115.2	1,419.9	1,101.1	1,625.1	200.9
Total assets	3,611.2	4,940.1	5,782.6	5,095.7	5,561.7	687.5
Total equity	(1,027.2)	(1,412.9)	(2,093.6)	(1,610.5)	(2,576.7)	(318.5)
Total shareholder funding[(4)]	1,395.4	2,135.4	2,496.6	2,311.7	2,382.5	294.5
Consolidated cash flow data						
Net cash outflow from operating activities	(1,809.9)	(1,185.7)	(988.5)	(322.7)	(159.6)	(19.7)
Net cash outflow from investing activities	(1,229.4)	(1,196.2)	(926.6)	(225.0)	(147.9)	(18.3)
Net cash inflow from financing activities	2,874.5	2,640.9	1,896.1	711.7	255.0	31.5
Increase/(decrease) in cash and cash equivalents	(164.8)	259.0	(19.0)	164.0	(52.5)	(6.5)

	Year ended December 31,			Three months ended March 31,		
	2002	2003	2004	2004	2005	2005
	(Rand) (audited)	*(Rand) (audited)*	*(Rand) (audited)*	*(Rand) (unaudited)*	*(Rand) (unaudited)*	*(€) (unaudited)*
			(in millions)			
Other financial data						
Capital expenditures	1,229.4	1,197.0	931.8	225.0	147.9	18.3
Depreciation and amortisation	217.0	472.3	629.8	143.5	166.0	20.5
EBITDA(5)	(1,457.6)	(1,124.1)	(46.6)	(107.8)	65.2	8.1
Pro forma net external debt(6)					3,725.3	460.5
Pro forma cash interest expense on external debt(7)					116.1	14.4

(1) Only computed on a semi-annual and annual basis.

(2) Total external debt means total long-term debt, less shareholder loans. See "Capitalisation."

(3) Net external debt is total external debt less cash and cash equivalents.

(4) Shareholder funding means shareholders' equity plus shareholder loans. "See Capitalisation."

(5) EBITDA is defined as earnings/(loss) before interest, tax, depreciation and amortisation. We believe that EBITDA provides meaningful additional information to investors since it is commonly reported and widely accepted by analysts and investors as a basis for comparing a company's underlying operating profitability with that of other companies in our industry. This is particularly the case in a capital-intensive industry such as mobile telecommunications. It is also a widely accepted indicator of a company's ability to service its long-term debt and other fixed obligations and to fund its continued growth. EBITDA is not an IFRS or U.S. GAAP measure. You should not construe EBITDA as an alternative to operating profit or loss or cash flows from operating activities determined in accordance with IFRS or U.S. GAAP as a measure of liquidity. EBITDA is not defined in the same manner by all companies and may not be comparable to other similarly titled measures of other companies unless the definition is the same.

The reconciliation of loss for year to EBITDA is as follows:

	Year ended December 31,			Three months ended March 31,		
	2002	2003	2004	2004	2005	2005
	(Rand)	*(Rand)*	*(Rand)*	*(Rand)*	*(Rand)*	*(€)*
			(in millions)			
Loss for year	(426.6)	(911.3)	(680.7)	(197.6)	(483.1)	(59.7)
Interest and foreign exchange	(702.6)	(388.6)	(73.4)	(53.7)	382.3	47.3
Income tax	(545.4)	(296.6)	77.7	—	—	—
Depreciation and amortisation	217.0	472.3	629.8	143.5	166.0	20.5
EBITDA	(1,457.6)	(1,124.1)	(46.6)	(107.8)	65.2	8.1

(6) Pro forma net external debt represents net external debt, adjusted to reflect:

- the issuance of the notes offered hereby;
- the issuance of the senior subordinated notes offered hereby; and
- the elimination of the Refinanced External Debt.

See "Summary of our Refinancing Program," "Use of Proceeds" and "Capitalisation."

(7) Pro forma interest expense on external debt represents interest expense for the three months ended March 31, 2005, adjusted to reflect:

- the elimination of interest expense associated with the Refinanced External Debt;
- the addition of R279.1 million of annual interest expense associated with the senior secured notes; and
- the addition of R185.3 million of annual interest expense associated with the senior subordinated notes.

See "Summary—Summary of our Refinancing Program," "Use of Proceeds" and "Capitalisation."

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with, and is qualified in its entirety by reference to, our consolidated financial statements and the related notes included in this prospectus. The following discussion should also be read in conjunction with "Selected Historical Financial and Operating Data." The discussions in this section contain forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those discussed below. See "Risk Factors" and "Information Regarding Forward Looking Statements."

Overview

We were formed in 1999 to participate in the tender for the third GSM operating licence in South Africa. We were awarded our operating licence in June 2001 and our spectrum licence in August 2001. In November 2001, we launched full commercial operations through our own core network and the GSM network of Vodacom, which we use under the terms of a national roaming agreement.

We have substantially completed the rollout of our network. By March 31, 2005, we had invested R2.8 billion in our network. We have achieved population and geographical coverage of 65% and 9% respectively, two years prior to our final license requirement to achieve 60% population and and 8% geographic coverage. We carry approximately 80% of our total traffic on our own network, and will focus the balance of our planned final few hundred base stations on increasing traffic carriage on our own network to 85%.

Since our launch, we have expanded rapidly. As of March 31, 2005, we had approximately 2.4 million active subscribers, consisting of approximately 500,000 postpaid subscribers and 1.9 million prepaid subscribers and have deployed 17,575 CSTs. Since March 31, 2005, we have had gross additions of over 51,000 postpaid subscribers, over 210,000 prepaid subscribers and 3,200 CSTs. We have funded our network rollout, initial operating losses and working capital requirements through loans from shareholders, borrowings under a revolving credit facility, two export credit facilities and equipment vendor financing. At March 31, 2005, we had R6,788.0 million of total outstanding indebtedness. The proceeds of this offering will be used to repay a portion of our deeply subordinated shareholder loans. See "Use of Proceeds."

As a result of growth in our subscriber base, improvements in our subscriber mix and the initial deployment of our high margin CSTs in late 2003, coupled with improved operating efficiencies, we began to generate positive EBITDA in the second quarter of 2004.

Income statement presentation

Our income statements have been prepared using the "nature of expense" rather than the "cost of sales" method. In the nature of expense method, expenses are classified in the income statement according to their nature and not among various functions that comprise our operations. As a result, income statements presented in accordance with the nature of expense method do not show gross profit. Income statements presented in accordance with the cost of sales method, by contrast, classify expenses according to their function as part of cost of sales. Operating profit, however, is the same regardless of whether the nature of expense or cost of sales method is chosen.

For purposes of the following discussion of our results of operations and financial condition, we have reclassified expense items from those set forth in the financial statements contained elsewhere in this prospectus in order to present gross profit.

In addition, this discussion does not breakout data for our hybrid product (Control Chat) separately from postpaid data. Going forward, we expect to separately report data for our hybrid products.

Key performance indicators

The following table sets forth key performance indicators data at the dates, or for the periods, presented:

	Year ended December 31,			As of March 31,		
	2003	2004	% change	2004	2005	% change
Subscribers (period end)[1]						
Postpaid	303,536	459,589	51%	327,949	504,187	54%
Prepaid[2]	1,440,510	1,701,960	18%	1,452,151	1,882,584	30%
Churn rate[3]						
Blended (using adjusted prepaid)	48%	38%		45%	15%	(66)%
Postpaid	7%	12%		9%	9%	(1)%
Prepaid[4]	54%	44%		52%	17%	(68)%
Subscriber acquisition costs per connection[1]						
Blended	487	494	1%	477	517	8%
Postpaid	2,292	2,238	(2)%	2,123	2,202	4%
Prepaid	180	84	(53)%	118	64	(46)%
Voice minutes per subscriber[1]						
Blended	97	102	5%	98	91	(8)%
Postpaid[5]	297	284	(4)%	282	249	(12)%
Prepaid[4]	55	53	(3)%	58	48	(18)%
ARPU[6]						
Blended	114	128	12%	128	123	(4)%
Postpaid	409	391	(4)%	391	358	(8)%
Prepaid[4]	65	66	1%	70	60	(15)%
CSTs (period end)						
Number of active units	5,141	15,129	194%	6,342	17,575	177%
ARPU (per unit)	2,717	2,808	3%	2,583	3,082	19%

The following table shows our subscriber growth on a quarterly basis over the periods presented:

	As of/for quarter ended								
	March 31, 2003	June 30, 2003	Sept 30, 2003	Dec 31, 2003	March 31, 2004	June 30, 2004	Sept 30, 2004	Dec 31, 2004	March 31, 2005
Postpaid	157,146	195,216	236,656	303,536	327,949	360,403	398,220	459,589	504,187
Adjusted prepaid	1,032,997	1,231,766	1,292,955	1,440,510	1,452,151	1,594,503	1,626,883	1,701,960	1,882,584
Unadjusted prepaid[7]	1,032,997	1,231,766	1,479,893	1,600,908	1,608,491	1,610,460	1,580,213	1,701,960	1,882,584
CSTs	—	—	2,124	5,141	6,342	10,291	14,853	15,129	17,575
ARPU									
Postpaid	405	410	419	403	391	384	395	396	358
Prepaid[4]	62	59	62	77	70	63	60	69	60
CST	—	—	3,550	1,884	2,583	3,068	2,619	2,962	3,082

(1) Subscribers, which we refer to herein as "active subscribers," include all connected postpaid and prepaid subscribers who have made a revenue-generating incoming or outgoing call, SMS, MMS or other revenue-generating event during the preceding three months. This category does not include our CSTs.

(2) Represents subscribers connected through Cell C Service Provider, Autopage Cellular and Nashua Mobile, and does not include subscribers obtained from two service providers we terminated in the second quarter of 2004 in connection with the restructuring of our commission and incentive program to eliminate arbitrage opportunities. Including the subscribers attributable to the terminated service providers, total prepaid subscribers would have been 1,600,908 at the end of 2003 and churn would have been 65% in 2003 and 2004. See "—Factors affecting revenue—Subscriber growth."

(3) For a discussion on how we calculate our churn rate, see "—Factors affecting revenue—Churn rate."

(4) Based on prepaid subscribers as adjusted as described in note (2).
(5) For 2004 and the first quarter of 2005, includes Control Chat subscribers, which we launched in the second half of 2004.
(6) ARPU may not be comparable to similarly titled measures reported by other companies. ARPU is determined for each period by dividing service revenue and roaming revenue for such period by the monthly average subscribers for such period (customers at the beginning of the month plus customers at the end of the month divided by two) and dividing that result by the number of months in such period. We believe ARPU is viewed as a relevant supplemental measure of performance in our industry. ARPU should not be used in isolation or as an alternative measure of performance under IFRS.
(7) Includes subscribers attributable to the terminated service providers referred to in note (2).

Factors affecting our results

Economic conditions

We conduct all of our operations in South Africa, and virtually all of our revenues are generated in rand. Since the abolition of apartheid, South Africa has undergone dramatic political, social and economic change. Our future results of operations are dependent upon continued economic, political and social stability in South Africa, and the country's success in addressing of long-term challenges related to poverty, unemployment and increasing HIV infection rates. Changes in economic conditions may effect, among other things, demand for our services and the creditworthiness of our customers.

South Africa has experienced stable economic growth in recent years attributable to strong domestic demand and tourism. Real GDP grew by 3.6%, 2.8% and 3.7% in 2002, 2003 and 2004, respectively. Over the same period, inflation has fallen to 4.3% and the rand has strengthened.

The Republic of South Africa's sovereign debt enjoys one of the highest credit ratings in Africa, with a Standard & Poor's rating of BBB and a Moody's rating of Baa1. As a result of successful fiscal and monetary management, improved external liquidity, fast export growth and a gradual relaxation of exchange controls, the Republic of South Africa's credit rating has improved continuously since 2001.

Growth in mobile penetration

Since the launch of mobile services in South Africa in 1994, mobile penetration has grown at a high rate. Major factors contributing to this growth include South Africa's low fixed line penetration of approximately 10%, the overall improvement in economic conditions over the past few years, the trend towards urbanisation, the high proportion of migrant labour and the competition stimulating effect of our entry into the market in 2001. Although South Africa's mobile penetration of approximately 43% remains significantly lower than in many more mature emerging telecommunications markets, future growth is not expected to be at the same high rates as that experienced to date. While we expect to leverage this growth, we will also place increased emphasis on churning high ARPU subscribers from our competitors and retaining our own subscribers.

Subscriber and CST growth

Our revenue growth is primarily driven by subscriber and CST growth.

We have experienced strong subscriber growth since launch, ending the first quarter of 2005 with approximately 2.4 million subscribers (excluding CSTs). Continued growth in the number of our subscribers and the volume of traffic they generate is subject to a number of variables, including the capacity, quality and coverage of our network, pricing and promotions, and the scope and quality of our products, services and applications, including our level of customer care, as well as general economic and market conditions and the level of competition for subscribers.

We experienced exceptional prepaid volatility, in terms of unexpectedly high acquisition and churn rates, from the third quarter of 2003 through the second quarter of 2004. This was attributable to distortion caused by a steep increase in non-bona fide prepaid subscriber acquisitions through two external service providers who were retained by us at that time. We found that these service providers were performing pre-activations in order to leverage arbitrage between the connection bonus they received from us and the activation costs they incurred in acquiring a subscriber. Following our attempts at reconciliation over the course of four months, we ceased working with these two service providers, considerably tightened our commission rules to eliminate the arbitrage opportunity and eliminated the non-bona fide subscribers from our prepaid base. Since terminating these service providers and eliminating this distortion from our prepaid base in the second quarter of 2004, our strong underlying subscriber trend has once again become visible. Despite the distortions we experienced in the second half of 2003 and the first half of 2004, we ended the first quarter of 2005 with 1.9 million bona fide prepaid subscribers and with lower churn levels.

Unless the context otherwise requires, in the discussion of our results, the prepaid subscriber figure for 2003 reflects the adjustment to eliminate non-bona fide subscribers (see "—Key Performance Indicators"), and the calculations of churn, ARPU and voice minutes per subscriber are based on that adjusted prepaid subscriber figure.

Subscriber mix

Our results of operations are affected by the mix between, and composition of, our postpaid and prepaid subscribers. The proportion of our postpaid subscribers (excluding CSTs) has increased from 17% at the end of 2003 to 21% at March 31, 2005, which we believe is particularly high for a third entrant in an emerging market.

On average, our postpaid subscribers generate six times the ARPU generated by prepaid subscribers. The introduction of our hybrid product, "Control Chat," in the second half of 2004, resulted in a slight drop in our postpaid ARPU in 2004 and the first quarter of 2005. Control Chat is a combination of our postpaid and prepaid products, for which a subscriber pays a monthly fee in advance for a set value of airtime. The Control Chat ARPUs are approximately half of those of the standard postpaid subscribers.

Our postpaid ARPUs are currently considerably lower than those of our competitors whose early market entry enabled them to attract high quality postpaid subscribers. We expect that our postpaid ARPUs (excluding Control Chat) will benefit from our increased data services offerings and our future focus on mid to high-end postpaid consumer and corporate markets, whose acquisition we expect will be assisted by mobile number portability.

Our postpaid subscriber base is composed of subscribers at varying airtime margins. Our margins are lower for postpaid subscribers acquired through our external service providers, Nashua Mobile and Autopage Cellular, for postpaid subscribers attracting corporate discounts and for postpaid subscribers on our top tariff plans.

Our prepaid ARPUs are currently considerably lower than those of our competitors whose early market entry enabled them to attract high quality prepaid subscribers. We expect that our prepaid ARPUs will benefit from our strict commissioning rules, the elimination of arbitrage from our prepaid acquisition process, our focus on mid- to high-end prepaid subscribers, whose acquisition we expect will be assisted by the introduction of mobile number portability, and the expected reduction of prepaid churn rates.

Although ARPUs are considerably higher for postpaid subscribers than prepaid subscribers, acquisition costs for prepaid subscribers are only 4% of those of postpaid levels. In addition, prepaid subscribers generate cheap-to-supply off peak traffic, high unit profit margins and no subscriber bad debt. As a result, postpaid margins are considerably lower than prepaid margins. The principal drawback of a prepaid customer base is the weaker, non-contractual customer relationship and corresponding higher churn levels and low traffic volume to cover fixed costs.

CST mix

Under our licence, we are obligated to deploy 52,000 CSTs in under-serviced areas. The traffic generated by CSTs required to meet our license obligations is entitled to preferential interconnect rates and accordingly generates higher average gross margins.

The number of our CSTs increased from 5,141 at the end of 2003 to 17,575 at March 31, 2005. CSTs have high ARPUs as they service areas with low fixed line teledensity and high demand. For example, each CST generated, on average, ARPU equivalent to 43 prepaid subscribers in 2004 and 50 prepaid subscribers in the first quarter of 2005, while having lower acquisition costs per unit and no churn. If a CST operator fails to meet its performance target, we have the right to replace the operator.

CSTs account for a disproportionate amount of revenue owing to their very high usage-related ARPUs. We expect our proportion of CST revenue will increase as we deploy an estimated 15,000 during the second half of 2005, and a further 16,500 to meet the 52,000 units required by our licence by 2008.

Data and Content Services

We launched GPRS services to our postpaid subscribers and MMS to our postpaid and prepaid customers during 2004. With Vodacom having launched 3G services during December 2004, we expect to also launch 3G services via our roaming agreement during 2005. We also expect to make the EDGE capability of our network

available to our subscribers during 2005. We do not, however, expect to generate meaningful revenues in the short-term from these bearer services, as there is currently little demand for these services in South Africa. We believe that our advanced data offerings are useful principally from a market image point of view, to enhance our ability to attract top-end individual and corporate subscribers. In the future, however, we do expect to use these services to improve our premium-rated content and application revenues. The success of these new services will depend in large part on the availability of user-friendly, data-enabled handsets from handset producers and our ability to identify and enter into agreements with content providers, content aggregators, WASPs and mobile commerce partners to deliver value-added services and premium content to our subscribers.

We will seek to bolster blended ARPUs (excluding CSTs) in future years by focusing on other sources of revenue, primarily those associated with our various data services—SMS, GPRS, MMS, EDGE and 3G. We expect these revenues to come from normal and premium rated content and application services. Such services will be offered directly by us via our internet portal and/or via third party WASPs, which we are actively seeking to attract to our network.

Tariff policy

Tariff pricing, which represents the rates we charge for airtime usage, data services and monthly access charges, is significantly dependent on competitive factors. We offer a simple but extensive range of postpaid tariff structures, a flexible range of hybrid postpaid-prepaid tariff options and three prepaid tariffs. Each tariff has different combinations of airtime, data, value-added services and monthly access charges catering to the different usage patterns of different customer market segments. Airtime tariffs for domestic calls can be optionally differentiated depending on the time of day a call is made or if the call is made within our network or to networks of other operators, while international tariffs vary according to the destination of the call.

We charge separately for certain bundles of value-added services that we offer, such as itemised billing, caller-line identity, call waiting, SMS and data and facsimile transmission. Different tariffs also incorporate specific network service differentiators such as "friends & family" numbers and beneficial billing increments. We regularly run promotions in which our price for service activation, subscriptions, data bundles, handsets or some combination have been reduced for the promotional period.

In general, our price levels will depend on the level of competition in the South African mobile market, the general level of South African price inflation, other changes in economic factors affecting the availability of consumer spending as well as the availability and price levels in South Africa of mobile handsets.

Interconnection rates

Our non-CST interconnection rates are determined by the terms of the commercial interconnection agreements we have entered into with Telkom, Vodacom and MTN, and have continued to rise based on inflation-related adjustments. See "Business—Material Agreements." Interconnection rates for CSTs are set by ICASA at rates substantially below blended commercial interconnection rates. International roaming tariffs are set in the various roaming agreements we have entered into with international network operators.

Traffic volume and mix

Originating and terminating traffic volumes arise from our voice and data prepaid, postpaid, hybrid and CST subscriber usage. These volumes are a function of the number, mix and quality of the subscribers on our network, and have been increasing as each of these variables has improved since our launch.

Currently 80% of our traffic is carried on our own network and 20% is carried on Vodacom's network. The balance of our network rollout is intended to increase to 85% the percentage of the traffic carried on our own network. As a result, the benefit we experience from reduced capital expenditures associated with network rollout and from reduced roaming as a proportion of our total traffic, will be partially affected by ongoing charges applicable to the 10% of our traffic that still will be roaming.

Subscriber acquisition costs and churn

Our results of operations are affected by the level of subscriber acquisition cost and the churn of our subscriber base.

Postpaid subscriber acquisition costs consist of a handset subsidy and connection bonus, as well as SIM subsidy paid to the channel that connected the postpaid subscriber. Prepaid subscriber acquisition costs consist of

a connection bonus and starter pack subsidy paid to the channel that connected the prepaid subscriber. CST subscriber acquisition costs consist of bundled minutes of use and subsidies on handsets that are sold to entrepreneurs who operate the CSTs. Increased subscriber acquisition and retention efforts in anticipation of mobile number portability, coupled with our increasing focus on customers in the mid-and upper-market segments, are expected to exert upward pressure on our subscriber acquisition costs in the short-to mid-term.

Churn refers generally to the loss of subscribers for any reason, including a subscriber's choice to use the service of a competitor, non-payment or the migration of subscribers between our prepaid and postpaid product offerings. We define annual churn as the sum of annualised monthly churn divided by 12. Postpaid churn refers to postpaid subscribers who have been disconnected from our network in a given month expressed as a percentage of the opening base of postpaid subscribers during such month.

Because we have had spare capacity on our core network since launch and because it has been a useful marketing proposition to offer our prepaid subscribers a longer airtime window than that offered by our competitors, we have not based our prepaid churn metrics on disconnections. Accordingly, where an active prepaid subscriber is one who has generated revenue for us during the past three months, we have defined prepaid churn rates as referring to those prepaid subscribers who have become inactive during the current month expressed as a percentage of the opening base of active prepaid subscribers in the same month. Our definitions are not necessarily those used by our competitors.

Our churn rate on postpaid subscribers was 12% in 2004, which we believe was below the market average. Our churn rate on prepaid subscribers was 44% in 2004 (65% based on unadjusted prepaid subscriber figures).

Churn levels vary due to a number of factors including customer loyalty, quality customer service, changes in technology, products or service offerings and network quality. In addition, the implementation of mobile number portability, which is expected by the end of 2005, will likely increase postpaid churn within the industry.

We recognise that lowering our customer churn rate is an important factor in maximising revenue and cash flow. We proactively and continuously seek to strengthen our customer relationship management efforts to reduce churn, especially among higher value subscribers. We have designed and commenced the implementation of a strategic program aimed at reducing churn. For a more detailed discussion of our strategy in this regard, see "Business—Strategy."

All operators, ourselves included, have reduced prepaid connection bonuses and focused on airtime spend and commissions as a way of motivating distribution channels to concentrate on acquiring and retaining quality subscribers, as opposed to growing volume at any cost. Notwithstanding the introduction of mobile number portability, if these initiatives are successful, future prepaid churn rates for the industry are expected to be lower.

Capital expenditures

Since our launch, we have spent approximately R2.8 billion in capital expenditures on the rollout of our network. As we have substantially completed the rollout of our network, we anticipate that we will significantly reduce capital expenditures going forward. Our core network has already been built to handle our target peak market share traffic capacity, which is approximately double our current market share. Our access network is designed to smoothly scale to this level via the addition of radios as and when they become necessary. In addition, our national roaming agreement with Vodacom allows us to utilise Vodacom for any unexpected peaks in traffic usage. However, we will incur capital expenditures in the immediate future due to the implementation of mobile number portability. See "—Capital expenditures and investments."

License fees

As consideration for our operating licence, we agreed to pay R100 million, payable in 12 equal instalments beginning in 2004, and a fee of 1% per annum of the audited licence fee income, or LFI. LFI is the total annual invoiced airtime revenue less discounts, VAT and other indirect taxes, derived from customers and end-users and adjusted for interconnect fees or charges and bad debt. It is first payable beginning in 2005, based on 2004 LFI.

The variable licence fee is subject to review after November 2006 and may be increased by ICASA to a percentage no higher than the percentage license fee paid by similarly licensed operators, which is currently 5% of LFI.

Seasonality

Although our revenues have increased each quarter in the recent past, our results of operations are subject to seasonal fluctuations that impact our operating results from quarter to quarter. In the past, we have experienced the highest level of subscriber additions and activation related expenses, including marketing and promotional expenditures, in the fourth quarter of the calendar year. As a result, our operating profit can be impacted in the fourth quarter. On the other hand, our revenues are generally higher in the fourth quarter of the calendar year due to higher usage levels. Due to lower customer usage levels, our ARPU tends to be lower in the first and second quarters. Offsetting this, our costs may be lower in the first and second quarters due to lower levels of customer acquisitions.

Exchange rate fluctuations

We realise substantially all of our revenues, and incur a significant portion of our costs and expenses, in rand. A substantial portion of our existing debt is denominated in foreign currencies, mainly U.S. dollars, and after this offering a substantial portion of our debt will be denominated in euro. In recent years, the value of the rand as measured against the euro and the U.S. dollar fluctuated considerably. In particular, the rand has significantly appreciated against both currencies over 2003 and 2004 compared to historical levels. For additional exchange rate information on the rand, see "Exchange Rates."

The continued strength of the rand against foreign currencies, in particular against the U.S. dollar, has had a significant impact on our financial position and results in three ways. First, it improved our net asset value by decreasing liabilities denominated in foreign currencies in relation to our assets, each presented in rand on our balance sheet. Second, it had a negative impact on our liquidity by increasing the cash amounts, in rand, that we had to deposit with hedge counterparties as collateral under the terms of our hedging instruments and by decreasing the value, expressed in rand, of foreign currency denominated funds available for borrowing in relation to our working capital and capital expenditure requirements that are denominated predominantly in rand. Third, we import handsets and are subject to any unhedged fluctuations relative to these purchases.

Foreign exchange rate fluctuations in the future, in particular in relation to the rand against the euro and the U.S. dollar, will continue to have a direct impact on our financial position, liquidity and results of operations. If significant, this may affect our ability to service our foreign currency denominated debt (a significant portion of which will be denominated in euro), including the notes, and may also have a negative adverse effect on our operating results.

Principal Income Statement Items

Sources of revenue

Our revenue consists of the following:

- *Airtime and access revenue,* which includes prepaid, postpaid (including monthly subscription fees) and CST airtime charges for usage by users.
- *Data revenue,* which is revenue received from postpaid subscribers for SMS, GPRS, MMS and other value-added services.
- *International roaming revenue,* which covers revenue from international operators charged in respect of roaming on our network by their subscribers while in South Africa.
- *Equipment sales,* which are sales of handsets, accessories and starter packs to our distribution channels and subscribers. Our corresponding hardware costs of sales have historically exceeded our revenues from equipment sales.
- *Interconnect revenue,* which represents revenue derived from other local operators for the termination of calls on our network.
- *Other revenue,* which represents marketing support from handset suppliers.

The following table sets forth the relative contribution of our principal sources of revenue for the periods indicated:

Source	Year ended December 31,			Three months ended March 31,	
	2002	2003	2004	2004	2005
Airtime and access revenue	13.9%	40.1%	50.3%	51.8%	54.4%
Data revenue	0.7%	1.7%	1.9%	1.8%	2.2%
International roaming revenue	0.1%	0.3%	0.5%	0.5%	0.6%
Equipment sales	59.9%	26.8%	21.2%	17.7%	17.8%
Interconnect revenue	25.4%	31.3%	26.1%	28.2%	25.0%

We anticipate that, as our subscriber base continues to grow and our business matures, airtime revenue, data services and monthly service fees will account for an increasing proportion of our total revenues, while the proportion of total revenues derived from sales of equipment will decrease, especially given the current strength of the rand. For a discussion of revenue recognition policies for our different sources of revenue, see "—Critical Accounting Policies."

The table below highlights the trends in prepaid, postpaid and CST airtime usage revenue, as well as interconnection revenue. The percentages are based on the proportion of "service revenue," which we define for purposes of this analysis as total revenue, excluding equipment sales and international roaming revenue:

Source	Year ended December 31,			Three months ended March 31,	
	2002	2003	2004	2004	2005
Prepaid airtime revenue	27.1%	21.6%	17.0%	21.6%	15.3%
Postpaid airtime revenue(1)	23.8%	36.1%	38.9%	38.1%	39.4%
CST airtime revenue	—	1.6%	10.9%	2.1%	15.3%
Interconnection revenue	49.1%	40.7%	33.1%	38.2%	30.0%

(1) Includes revenue from our hybrid product Control Chat, which will be reported separately from postpaid revenue in the future.

Operating expenses

Our operating expenses include our cost of sales, other operating expenses and depreciation and amortisation, each of which is discussed below:

Cost of sales

Our cost of sales includes the following components:

Interconnection costs, which consist of fees we pay under the terms of interconnection agreements to the fixed-line and other network operators in South Africa for calls made by our subscribers terminating on such operators' networks. Interconnection fees are based on the proportion of our traffic that terminates on other networks. Other than CST termination rates, which are regulated by ICASA, termination rates are negotiated commercially among the operators and are registered with ICASA. Increases or decreases in interconnect costs have a direct correlation to the airtime spend of our subscribers.

Roaming costs, which consist of national and international roaming fees. National roaming charges are the payments to Vodacom under our national roaming agreement. Roaming fees consist of a monthly fixed minimum floor charged by Vodacom regardless of the volume of traffic carried over its network, plus fees based on any traffic above this floor. International roaming costs consist of fees we pay under the terms of international roaming agreements to international network operators for calls made by our subscribers while outside of South Africa.

Cost of hardware sales, which consist of the cost of handsets and accessories, as well as the cost of starter packs provided to subscribers. Our gross loss on handsets in particular has improved since our launch with the continued strengthening of the rand. Our cost of hardware sales have historically exceeded our equipment sales revenue as we generally earn no margin on sales of handsets to postpaid subscribers, negligible margin on sales of handsets to prepaid subscribers and have had to clear excess inventory of handsets by discounting prices.

Commissions, incentives and other cost of sales consist of:

- *Postpaid subscriber acquisition costs*, which consist of a connection bonus, handset subsidy of up to 100% of the value of the handset and SIM subsidy paid to the channel that connected the postpaid subscriber. No marketing costs are allocated to the acquisition costs. We capitalise subscriber acquisition costs relating to postpaid customers and amortise these costs over the period of the subscription contract, which does not exceed 24 months.
- *Prepaid subscriber acquisition costs*, which consist of a connection bonus and starter pack subsidy paid to the distribution channel that connected the prepaid subscriber. These costs are expensed as incurred. Prepaid subscriber acquisition costs no longer include a handset subsidy, as we ceased subsidising prepaid handsets in mid-2004.
- *CST subscriber acquisition costs*, which consist of bundled minutes of use given as a start-up incentive to entrepreneurs who sell airtime.
- *Airtime commissions*, which, in the case of prepaids, are the commissions on airtime sold to distribution channels that are split between the airtime reseller and the channel that acquired the prepaid subscriber; in the case of CSTs, are commissions paid on airtime sold to CST owners, while in the case of postpaid, are commissions paid to the channel that acquired the subscriber for us, based on subscriber spend. Our results over the period under discussion include a proportion of postpaid sales (30%) in 2004 obtained through our independent external service providers, Nashua Mobile and Autopage Cellular, who are paid considerably higher margins than our other postpaid channels. In addition, our results also reflect sales to businesses to whom we offer volume discounts on tariffs.

Other operating expenses

Other operating expenses include selling, general and administrative expenses and other expenses as described below:

Selling, general and administrative expenses include marketing costs and other expenses, such as distribution costs, bad debt, repairs and maintenance, security expenses, travelling, telephones, software licences and maintenance and all other administrative expenses.

Other expenses include transmission costs for the network links we lease from Telkom, external services rendered, employee expenses and operating leases.

Depreciation and amortisation

Depreciation and amortisation includes depreciation of property, plant and equipment, and amortisation of our fixed telecom licence fee and licence acquisition costs.

Results of Operations

The following table sets forth our revenue and operating cost for each of the periods presented broken down by major segments and, in the case of revenue (rand in thousands), as a percentage of total revenue.

	Year ended December 31, 2002		Year ended December 31, 2003		Year ended December 31, 2004		Three months ended March 31, 2004		Three months ended March 31, 2005	
	Rand	**% of total revenue**	**Rand**	**% of total revenue**	**Rand**	**% of Total**	**Rand**	**% of total revenue**	**Rand**	**% of total revenue**
Revenue										
Airtime and Access	172,202	13.8	986,949	40.1	2,063,361	50.3	455,569	51.8	651,414	54.4
Data revenue	8,979	0.7	41,063	1.7	79,041	1.9	15,956	1.8	25,998	2.2
International roaming revenue	530	0.0	7,421	0.3	20,014	0.5	4,149	0.5	7,389	0.6
Equipment sales	744,738	59.9	656,400	26.6	867,272	21.2	155,545	17.7	212,977	17.8
Interconnect revenue	315,916	25.5	769,379	31.2	1,069,941	26.1	247,880	28.2	299,153	25.0
Other income	1,496	0.1	3,243	0.1	1,599	0.0	149	0.0	473	0.0
Total revenue and other income	1,243,861	100.0	2,464,455	100.0	4,101,228	100.0	879,248	100.0	1,197,404	100.0
Cost of Sales										
Cost of hardware sales	1,012,545	81.4	868,135	35.2	903,390	22.0	181,284	20.6	210,975	17.6
Interconnect	128,234	10.3	424,474	17.2	676,707	16.5	153,721	17.5	201,184	16.8
Roaming	344,887	27.7	567,557	23.0	427,073	10.5	137,715	15.7	90,177	7.5
Commissions, incentives and other cost of sales	61,915	5.0	424,515	17.3	886,714	21.6	181,692	20.7	294,468	24.6
Total cost of sales	1,547,581	124.4	2,284,681	92.7	2,893,884	70.6	654,412	74.5	796,804	66.5
Gross profit (loss)	(303,720)	(24.4)	179,774	7.3	1,207,344	29.4	224,836	25.5	400,600	33.5
Other operating expenses										
Selling general and administrative expenses	652,104	52.4	693,487	28.1	614,543	15.0	165,196	18.8	132,315	11.0
Other expenses(1)	501,802	40.4	610,483	24.8	639,403	15.6	167,447	19.0	203,072	17.0
Total operating expenses	1,153,906	92.8	1,303,970	52.9	1,253,946	30.6	332,643	37.8	335,387	28.0
Depreciation and amortisation	217,043		472,297		629,812		143,503		165,982	
Operating loss	(1,674,669)		(1,596,493)		(676,414)		(251,310)		(100,769)	
Investment income	19,527		34,318		16,800		2,602		1,279	
Loss before financing and taxation	(1,655,142)		(1,562,175)		(659,614)		(248,708)		(99,490)	
Finance gains	683,095		354,271		56,623		51,138		(383,566)	
Loss before tax	(972,047)		(1,207,904)		(602,991)		(197,570)		(483,056)	
Income tax	545,427		296,644		(77,724)		—		—	
Loss for year	(426,620)		(911,260)		(680,715)		(197,570)		(483,056)	

(1) Includes transmission costs, external services rendered, employee costs and operating lease costs.

Because the consolidated financial statements included in this prospectus cover the period when we were in the process of establishing our business, we do not believe that our results of operations reflected in these financial statements are indicative of the future results of operations that we may achieve.

Three months ended March 31, 2005 compared to three months ended March 31, 2004

Revenue. Revenue increased R318.2 million, or 36.2%, from R879.2 million in the three months ended March 31, 2004 to R1,197.4 million in the three months ended March 31, 2005. This increase was primarily attributable to a larger subscriber base, and an increase in airtime and access revenue, as well as an increase in interconnect revenue. Other income increased R324,000, or 217.4%, from R149,000 in the three months ended March 31, 2004 to R473,000 in the three months ended March 31, 2005.

Service revenue. Service revenue, which includes airtime and access revenue, data revenue and interconnect revenue, increased R257.2 million, or 35.8%, from R719.4 million in the three months ended March 31, 2004 to R976.6 million in the three months ended March 31, 2005. This increase was due primarily to our increased subscriber base and addition of CSTs.

Our postpaid subscriber base increased 53.7% and our prepaid subscriber base increased 29.6%. The proportion of postpaid subscribers increased from 18.4% of total subscribers (including Control Chat subscribers, but excluding CSTs) to 21.1% over the same period.

Prepaid airtime charges contributed 21.5% of service revenue in the three months ended March 31, 2004 and 15.3% in the three months ended March 31, 2005, while the contribution of postpaid airtime charges increased from 38.1% to 39.4% over the same period. CSTs were launched in 2003, and in the three months ended March 31, 2005 contributed 15.3% of service revenue, up from 2.1% for the three months ended March 31, 2004. By March 31, 2005, we had deployed 17,575 CSTs up from 6,342 at March 31, 2004, which represented 1% of our total subscriber base at March 31, 2005.

Prepaid ARPUs decreased from R70 in the three months ended March 31, 2004 to R60 in the three months ended March 31, 2005, a 14.3% decrease, and postpaid ARPUs decreased from R391 in the three months ended March 31, 2004 to R358 in the three months ended March 31, 2005, a 8.4% decrease, reflecting in part the addition of 30,000 lower ARPU Control Chat subscribers. Blended ARPUs (excluding CSTs) decreased from R128 in the three months ended March 31, 2004 to R125 in the three months ended March 31, 2005. CST ARPUs increased from R2,583 in the three months ended March 31, 2004 to R3,082 in the three months ended March 31, 2004, a 19% increase.

Of our service revenue:

- airtime and access revenue increased R195.8 million, or 43.0%, from R455.6 million in the three months ended March 31, 2004 to R651.4 million in the three months ended March 31, 2005, which increase was due to the increase in our subscriber base and the rollout of CSTs;
- data revenue increased R10.0 million, or 62.9%, from R16.0 million in the three months ended March 31, 2004 to R26.0 million in the three months ended March 31, 2005, which increase was due to the increase in our subscriber base and partially due to the introduction of new data services (GPRS and MMS); and
- interconnect revenue, which decreased as a percentage of total revenue from 28.2% to 25.0%, increased in absolute terms R51.3 million, or 20.7%, from R247.9 million in the three months ended March 31, 2004 to R299.2 million in the three months ended March 31, 2005, which increase was due to our higher subscriber base, resulting in an increase in calls terminating on our network from subscribers of our competitors.

Equipment sales. Equipment sales increased R57.4 million, or 37.0%, from R155.5 million in the three months ended March 31, 2004 to R213.0 million in the three months ended March 31, 2005. This increase was due primarily to increased postpaid connections in the three months ended March 31, 2005. Our cost of hardware sales exceeded equipment sales revenue by R25.7 million in the three months ended March 31, 2004 as we were required to discount prepaid handset prices to clear excess inventory. Our inventory management practices improved in the three months ended March 31, 2004 which, together with the appreciation of the rand, resulted in gross profit of R2.0 million in the three months ended March 31, 2005 as compared to a gross loss of R25.7 million in the three months ended March 31, 2004.

International roaming. International roaming revenue increased R3.2 million, or 78.1%, from R4.1 million in the three months ended March 31, 2004 to R7.4 million in the three months ended March 31, 2005, partially attributable to the increase in international subscribers roaming on our network while in South Africa, reflecting our increased network coverage area and traffic carriage.

Other revenue. Other revenue increased by R324,000, or 217.4%, from R149,000 in the three months ended March 31, 2004 to R473,000 in the three months ended March 31, 2005.

Total cost of sales. Total cost of sales increased R142.4 million, or 21.8%, from R654.4 million in the three months ended March 31, 2004 to R796.8 million in the three months ended March 31, 2005. The increase was primarily attributable to increased commissions, incentives and cost of sales, as well as increased interconnect costs.

Cost of hardware sales. Cost of hardware sales increased R29.7 million, or 16.4%, from R181.3 million in the three months ended March 31, 2004 to R211.0 million in the three months ended March 31, 2005. The increase was primarily attributable to increased connections of our subscribers in the three months ended March 31, 2005, most significantly in the postpaid segment where average handset prices are higher than those of prepaid handsets.

Interconnect costs. Interconnect costs increased R47.5 million, or 30.9%, from R153.7 million in the three months ended March 31, 2004 to R201.2 million in the three months ended March 31, 2005. The increase was

primarily attributable to the increase in our subscriber base, resulting in an increase in calls terminating on the other networks.

Roaming costs. Roaming costs decreased R47.5 million, or 34.5%, from R137.7 million in the three months ended March 31, 2004 to R90.2 million in the three months ended March 31, 2005. The decrease was primarily attributable to the renegotiation of the Vodacom roaming agreement in April 2004, as a result of which rates were substantially decreased, as well as to the expansion of our own network that enabled us to carry a higher percentage of our traffic.

Commissions, incentives and other cost of sales. Commissions, incentives and other cost of sales increased R112.8 million, or 62.1%, from R181.7 million in the three months ended March 31, 2004 to R294.5 million in the three months ended March 31, 2005. The increase was primarily attributable to increased connections in the three months ended March 31, 2005, the increase in the amortisation of the capitalised subscriber acquisition costs as the postpaid subscriber base grew, and increased commissions paid on increased airtime and access revenue.

Other operating expenses.

Selling, general and administrative expenses. Selling, general and administrative expenses decreased R32.9 million, or 19.9%, from R165.2 million in the three months ended March 31, 2004 to R132.3 million in the three months ended March 31, 2005. This decrease was primarily attributable to a decrease in marketing and distribution costs.

Other expenses. Other expenses increased R35.6 million, or 21.3%, from R167.4 million in the three months ended March 31, 2004 to R203.1 million in the three months ended March 31, 2005. The increase was primarily attributable to an increase in employee expenses, reflecting the increase in headcount from 1,799 at March 31, 2004 to 1,852 at March 31, 2005.

Depreciation and amortisation. Depreciation and amortisation increased R22.5 million, or 15.7%, from R143.5 million in the three months ended March 31, 2004 to R166.0 million in the three months ended March 31, 2005. This increase was primarily attributable to an increase in the amount of depreciable property, plant and equipment.

Operating loss. Operating loss decreased R150.5 million, or 59.9%, from R251.3 million in the three months ended March 31, 2004 to R100.8 million in the three months ended March 31, 2005.

Investment income. Investment income decreased R1.3 million, or 50.8%, from R2.6 million in the three months ended March 31, 2004 to R1.3 million in the three months ended March 31, 2005. This decrease was primarily attributable to lower levels of excess cash to invest.

Finance gains (charges). Finance charges increased R434.7 million, or 850.7%, from a gain of R51.1 million in the three months ended March 31, 2004 to a charge of R383.6 million in the three months ended March 31, 2005. This decrease was primarily attributable to a decrease in foreign exchange gains of R145.4 million, or 52.5%, from R277.1 million in the three months ended March 31, 2004 to R131.7 million in the three months ended March 31, 2005, an increase in foreign exchange losses of R239.3 million, or 177.1%, from R135.1 million in the three months ended March 31, 2004 to R374.4 million in the three months ended March 31, 2005, and an increase in finance costs of R49.9 million, or 54.9%, from R90.9 million in the three months ended March 31, 2004 to R140.8 million in the three months ended March 31, 2005.

Fiscal year ended December 31, 2004 compared to fiscal year ended December 31, 2003

Revenues

Total Revenue. Revenue increased R1,636.7 million, or 66.4%, from R2,464.5 million in 2003 to R4,101.2 million in 2004. This increase was primarily attributable to the increase in airtime and access revenue, as well as the increase in interconnect revenue.

Service Revenue. Service revenue increased R1,414.9 million, or 78.7%, from R1,797.4 million in 2003 to R3,212.3 million in 2004. This increase was due primarily to our increased subscriber base, improved subscriber mix and addition of CSTs.

Our postpaid subscriber base increased 51%, and our prepaid subscriber base increased 18%, in absolute terms from 2003 to 2004. The proportion of postpaid subscribers increased from 17% of total subscribers (including Control Chat subscribers, but excluding CSTs) to 21% over the same period.

Prepaid airtime charges contributed 21.6% of service revenue in 2003 and 17.0% in 2004, while the contribution of postpaid airtime charges increased from 36.1% to 38.9% over the same period. CSTs were launched in 2003, and for 2004 contributed 10.9% of service revenue, up from 1.6% for 2003. By the end of 2004, we had deployed slightly more than 15,000 CSTs up from 5,141 at the end of 2003, which represented 1% of our total subscriber base at the end of 2004.

Prepaid ARPUs increased from R65 in 2003 to R66 in 2004, a 1% increase, and postpaid ARPUs decreased from R409 in 2003 to R391 in 2004, a 4% decrease, reflecting in part the addition of 25,000 lower ARPU Control Chat subscribers. The higher number of postpaid subscribers in our subscriber mix resulted in an increase in blended ARPUs from R114 in 2003 to R128 in 2004, a 12% increase. CST ARPUs increased from R2,717 in 2003 to R2,808 in 2004, a 3% increase.

Of our service revenue:

- airtime and access revenue increased R1,076.5 million, or 109.1%, from R986.9 million in 2003 to R2,063.4 million in 2004, which increase was due to the increase in our subscriber base and the rollout of CSTs;
- data revenue increased R37.9 million, or 92.5%, from R41.1 million in 2003 to R79.0 million in 2004, which increase was due to the increase in our subscriber base and partially due to the introduction of new data services (GPRS and MMS); and
- interconnect revenue, which decreased as a percentage of total revenue from 40.7% to 33.1%, increased in absolute terms R300.5 million, or 39.1%, from R769.4 million in 2003 to R1,069.9 million in 2004, which increase was due to our higher subscriber base, resulting in an increase in calls terminating on our network from subscribers of our competitors.

Equipment sales. Equipment sales increased R210.9 million, or 32.1%, from R656.4 million in 2003 to R867.3 million in 2004. This increase was due primarily to increased postpaid connections in 2004. Our cost of hardware sales exceeded equipment sales revenue by R36.1 million in 2004 and R211.7 million in 2003 as we were required to discount prepaid handset prices to clear excess inventory. Our inventory management practices improved in 2004 which, together with the appreciation of the rand, resulted in 2004 in a gross profit as opposed to a gross loss in 2003.

International roaming. International roaming revenue increased R12.6 million, or 169.7%, from R7.4 million in 2003 to R20.0 million in 2004, partially attributable to the increase in international subscribers roaming on our network while in South Africa, reflecting our increased network coverage area and traffic carriage.

Other Revenue. Other revenue decreased by R1.6 million, or 50.7%, from R3.2 million in 2003 to R1.6 million in 2004.

Cost of Sales

Total cost of sales. Total cost of sales increased by R609.2 million, or 26.7%, from R2,284.7 million in 2003 to R2,893.9 million in 2004. This increase was due to increased commissions, incentives and costs of sales, as well as increased interconnect costs.

Cost of hardware sales. Cost of hardware sales increased R35.3 million, or 4.1%, from R868.1 million in 2003 to R903.4 million in 2004. This increase was primarily attributable to increased connections of our subscribers in 2004, most significantly in the postpaid segment where average handset prices are higher than those of prepaid handsets. The increase was partially offset by the appreciation of the rand and a general reduction in handset prices in absolute terms.

Interconnect costs. Interconnect costs increased R252.2 million, or 59.4%, from R424.5 million in 2003 to R676.7 million in 2004. This increase was primarily attributable to the increase in our subscriber base, resulting in an increase in calls terminating on the other networks. Interconnect rates were unchanged over these periods, but interconnect costs as a percentage of interconnect revenue increased from 17.2% in 2003 to 16.5% in 2004 due to the shift in our subscriber mix in favor of postpaid subscribers and the addition of CSTs.

Roaming costs. Roaming costs decreased R140.5 million, or 24.8%, from R567.6 million in 2003 to R427.1 million in 2004, and as a percentage of service revenue declined from 23.0% in 2003 to 10.5% in 2004. This decrease was primarily attributable to the renegotiation of the Vodacom roaming agreement in April 2004, as a result of which rates were substantially decreased, as well as to the expansion of our own network that enabled us to carry a higher percentage of our traffic.

Commission, incentives and other costs of sales. Commissions, incentives and other costs of sales increased R462.2 million, or 108.9% from R424.5 million in 2003 to R886.7 million in 2004. The increase was primarily attributable to increased connections in 2004, the increase in the amortisation of the capitalised subscriber acquisition costs as the postpaid subscriber base grew, and increased commissions paid on increased airtime and access revenue. Commission rates generally fell during 2004.

Other operating expenses

Selling, general and administrative expenses. Selling, general and administrative expenses decreased R79.0 million, or 11.4%, from R693.5 million in 2003 to R614.5 million in 2004. This decrease was primarily attributable to a decrease in marketing and distribution costs.

Other expenses. Other expenses increased by R28.9 million, or 4.7%, from R610.5 million in 2003 to R639.4 million in 2004. This increase was primarily attributable to an increase in employee expenses, reflecting the increase in headcount from 1,802 at the end of 2003 to 1,903 at the end of 2004.

Depreciation and amortisation. Depreciation and amortisation increased R157.5 million, or 33.4%, from R472.3 million in 2003 to R629.8 million in 2004. This increase was primarily attributable to the increase in depreciable property, plant and equipment from R2,903.1 million in 2003 to R3,829.8 million in 2004.

Operating loss. Operating loss improved R920.1 million, or 57.6%, from R1,596.5 million in 2003 to R676.4 million in 2004.

Investment income. Investment income decreased R17.5 million, or 51.0%, from R34.3 million in 2003 to R16.8 million in 2004. This decrease was primarily attributable to lower interest rates and less excess cash to invest.

Finance gains. Finance gains decreased R297.7 million, or 84.0%, from R354.3 million in 2003 to R56.6 million in 2004. This decrease was attributable to a decrease in net foreign exchange gains of R154.4 million, or 22.7%, from R680.7 million in 2003 to R526.3 million in 2004, and an increase in finance costs of R143.2 million, or 43.8%, from R326.5 million in 2003 to R469.7 million in 2004, primarily due to additional drawdowns on our credit facilities and the SOLF, as well as an increase in LIBOR in 2004.

Income tax. Income tax expense increased from a benefit of R296.6 million in 2003 to a charge of R77.7 million in 2004. This increase was primarily attributable to a reversal of a portion of a deferred tax asset (based on a change in view of the deductibility of certain items) in 2004, a decrease in the corporate tax rate from 30% to 29%, and change in the tax treatment of certain foreign exchange gains. These gains were taxed at 10% and the 90% rolled over to the next nine years, and they are now taxed in full in the year of the gain.

Financial year ended December 31, 2003 compared to fiscal year ended December 31, 2002

Revenues

Total Revenue. Revenue increased R1,220.6 million, or 98.1%, from R1,243.8 million in 2002 to R2,464.4 million in 2003. This increase was primarily attributable to increase in airtime and access revenue as well as an increase in interconnect revenue.

Service Revenue. Service revenue increased R1,300.3 million, or 261.0%, from R497.1 million in 2002 to R1,797.4 million in 2003. This increase was primarily attributable to our increased subscriber base.

Prepaid airtime charges contributed 27.1% of service revenue in 2002 and 21.6% in 2003, while the contribution of postpaid airtime charges increased from 23.8% to 36.1% over the same period. CSTs were launched in 2003, and contributed 1.6% of service revenue for 2003. By the end of 2003, we had deployed slightly more than 5,000 CSTs, representing less than 0.03% of our total subscriber base.

Of our service revenue:

- airtime and access revenue increased R814.7 million, or 473.1%, from R172.2 million in 2002 to R986.9 million in 2003, which increase was due to the increase in our subscriber base;
- data revenue increased R32.1 million, or 356.7%, from R9.0 million in 2002 to R41.1 million in 2003, which increase was due to the increase in our subscriber base; and
- interconnect revenue increased R453.5 million, or 143.5%, from R315.9 million in 2002 to R769.4 million in 2003. This increase was due to an increase in our subscriber base.

Equipment sales. Equipment sales decreased R88.3 million, or 11.8%, from R744.7 million in 2002 to R656.4 million in 2003. This decrease was due to the strengthening of the rand against the dollar, thus reducing the cost of foreign equipment during the prior year.

International roaming. International roaming revenue increased R6.9 million, from R0.5 million in 2002 to R7.4 million in 2003, which increase was due to the increase in international subscribers roaming on our network while in South Africa.

Other Income. Other income increased R1.7 million, or 116.8%, from R1.5 million in 2002 to R3.2 million in 2003. The increase was a result of marketing support from handset suppliers during 2003.

Cost of Sales

Total cost of sales. Total cost of sales increased by R737.1 million, or 47.6%, from R1,547.6 million in 2002 to R2,284.7 million in 2003. This increase was primarily attributable to an increase in interconnect, roaming and commissions, incentives and cost of sales.

Cost of hardware sales. Cost of hardware sales decreased R144.4 million, or 14.3%, from R1,012.5 million in 2002 to R868.1 million in 2003. This decrease was primarily attributable to the strengthening of the rand against the dollar thus making foreign equipment cheaper than the previous year. Our cost of hardware sales exceeded equipment sales revenue by R211.7 million in 2003 and R267.8 million in 2002 as we were required to discount handset prices to clear excess prepaid handset inventory.

Interconnect costs. Interconnect costs increased R296.3 million, or 231.1%, from R128.2 million in 2002 to R424.5 million in 2003. This increase was due to an increase in our subscriber base resulting in a greater number of calls terminating on other networks.

Roaming costs. Roaming costs increased R222.7 million, or 64.6%, from R344.9 million in 2002 to R567.6 million in 2003. This increase was primarily attributable to an increase in our subscriber base.

Commission, incentives and other costs of sales. Commissions, incentives and other costs of sales increased R362.6 million, or 585.6% from R61.9 million in 2002 to R424.5 million in 2003. The increase was primarily attributable to increased connections in 2003, the increase in the amortisation of the capitalised subscriber acquisition costs as the postpaid subscriber base grew, as well as increased commissions paid on increased airtime and access revenue.

Other operating expenses

Selling, general and administrative expenses. Selling, general and administrative expenses increased R41.4 million, or 6.3%, from R652.1 million in 2002 to R693.5 million in 2003. This increase was primarily attributable to an increase in network maintenance costs.

Other expenses. Other expenses increased by R108.7 million, or 21.6%, from R501.8 million in 2002 to R610.4 million in 2003. This increase was primarily attributable to an increase in employee expenses as headcount increased from 810 at the end of 2002 to 1,802 at the end of 2003, as well as an increase in operating lease costs, which includes base station site rentals. The number of completed base stations was 700 at the end of 2002 and 1,552 at the end of 2003.

Depreciation and amortisation. Depreciation and amortisation increased R255.3 million, or 117.6 %, from R217.0 million in 2002 to R472.3 million in 2003. This increase was primarily attributable to the increase in depreciable property, plant and equipment from R1,704.4 million in 2002 to R2,903.1 million in 2003.

Operating loss. Operating loss improved R78.2 million, or 4.6%, from R1,674.7 million in 2002 to R1,596.5 million in 2003. This improvement was primarily attributable to the increase in gross profit of R483.4 million, or 159%, from a gross loss of R303.7 million in 2002 to a gross profit of R179.7 million in 2003.

Investment income. Investment income increased R14.8 million, or 75.8%, from R19.5 million in 2002 to R34.3 million in 2003. This increase was primarily attributable to excess cash invested and higher interest rates.

Finance gains. Finance gains decreased R328.8 million, or 48.1%, from R683.1 million in 2002 to R354.3 million in 2003. This decrease was primarily attributable to a decrease in net foreign exchange gains of R187.3 million, or 21.5%, from R868.0 million in 2002 to R680.7 million in 2003, and an increase in finance costs of R141.6 million, or 76.5%, from R184.9 million in 2002 to R326.5 million in 2003. The significant increase in the interest costs was as a result of shareholder funding injected in 2003.

Income tax. Income tax benefit decreased R248.8 million, or 45.6%, from R545.4 million in 2002 to R296.6 million in 2003. This decrease was primarily attributable to deferred taxation, which was applied for the first time in 2002.

Quarterly information

The following table sets forth unaudited income statement data for the quarters presented.

	Three months ended,								
	March 31, 2003	June 30, 2003	Sept 30, 2003	Dec 31, 2003	March 31, 2004	June 30, 2004	Sept 30, 2004	Dec 31, 2004	March 31, 2005
	(rand in thousands)								
Consolidated income statement data									
Total revenue and other income	439,670	536,730	656,587	831,468	879,119	920,289	1,052,894	1,248,926	1,197,404
Cost of sales	383,565	491,559	584,127	825,430	666,050	613,045	749,144	865,645	795,481
Gross Profit	56,105	45,171	72,460	6,038	213,069	307,244	303,750	383,281	401,923
Operating expenditure less depreciation and amortisation	(296,666)	(330,022)	(360,269)	(317,013)	(320,878)	(310,716)	(297,581)	(324,771)	(336,710)
EBITDA	(240,561)	(284,851)	(287,809)	(310,975)	(107,809)	(3,472)	6,169	58,510	65,213

Liquidity and Capital Resources

General

Our principal source of capital in the past has been debt financing, including shareholder loans. Our liquidity requirements have been primarily to fund our capital expenditures, working capital requirements and operating losses and to meet our ongoing debt service obligations. Following the completion of the offering of the notes, our debt service obligations will consist primarily of interest payments due on the senior subordinated notes and the senior secured notes, as well as periodic payments of interest on amounts drawn under our new revolving credit facility (if entered into) and, to the extent permitted under our indentures, our remaining shareholder loans.

Cash flows

The following table shows information regarding our consolidated cash flows for the periods indicated.

	Year ended December 31,			Three months ended March 31,		
	2003	2004	% Change	2004	2005	% Change
	(rand in thousands)					
Net cash outflow from operating activities	1,185,704	988,461	16.6	322,699	159,636	(50.5)
Net cash outflow from investing activities	1,196,195	926,645	22.5	225,018	147,884	(34.3)
Net cash inflow from financing activities	2,640,928	1,896,146	(28.2)	711,688	255,010	(64.2)

Cash flows from operating activities

Net cash outflows from operating activities improved R163.1 million, or 50.5%, from a new outflow of R322.7 million in the three months ended March 31, 2004 to R159.6 million in the three months ended March 31, 2005. This increase was attributable to a reduction in operating loss and improved investment in working capital, and was offset by increased cash outlays for finance costs.

Net cash outflows from operating activities improved R197.2 million, or 16.6%, from a net outflow of R1,185.7 million in 2003 to a net outflow of R988.5 million in 2004. The improvement was attributable to the improved operating loss, which was offset by increased cash acquisition costs related to postpaid subscribers, increased investment in working capital and increased cash outlays in respect of finance costs.

Cash flows used in investing activities

Net cash outflows from investing activities decreased R77.1 million, or 34.3%, from R225.0 million in the three months ended March 31, 2004 to R147.9 million for the three months ended March 31, 2005. This decrease was due to a reduction in capital outlays for the acquisition of property, plant and equipment.

Net cash outflows from investing activities decreased by R269.6 million, or 22.5%, from a cash outflow of R1,196.2 million in 2003 to R926.6 million in 2004. The decrease was attributable to less outlay capital expenditures for the acquisition of property, plant and equipment.

Cash flows used in financing activities

Net cash inflow from financing activities decreased by R456.6 million, or 64.2%, from R711.7 million in the three months ended March 31, 2004 to R255.1 million in the three months ended March 31, 2005. This decrease was attributable to a reduction in drawings on interest bearing loans and borrowings.

Net cash inflow from financing activities decreased by R744.8 million, or 28.2%, from R2,640.9 million in 2003 to R1,896.1 million in 2004. The decrease was attributable to less drawings on interest bearing loans and borrowings in 2004. In addition, we finalised our share capital in 2003, once we had received all funding from shareholders and this resulted in an increase in share capital in 2003. We also finalised our senior funding arrangements in January 2003, of which part of the proceeds were used to repay a bridge loan to Siemens, which resulted in a decrease in interest bearing loans and borrowings in 2003.

Although we believe that our expected cash flows from operations together with available borrowings will be adequate to meet our anticipated capital expenditures, working capital, general liquidity and debt service needs, we cannot assure you that our business will generate sufficient cash flows from operations to meet these needs or that future debt or equity financing will be available to us in an amount sufficient to enable us to fund our working capital or other liquidity needs, including making payments under the notes and on our other debt when due. If our capital requirements exceed our projections, or if our operating cash flow is lower than expected, we may be required to seek additional financing, which may not be available on commercially reasonable terms, if at all. Our ability to arrange financing generally and our cost of capital depends on numerous factors, including general economic, financial, competitive, market and other factors. Our inability to obtain funding necessary for our capital requirements could adversely affect our ability to service our debt obligations and adequately fund our operations. See "Risk Factors—Risks relating to the notes—Our business may be adversely impacted as a result of our substantial indebtedness, which requires the use of a significant portion of our cash flow and may limit access to additional capital. Our ability to generate sufficient cash in the future depends on many factors, some of which are beyond our control."

Capital expenditures and investments

Cash used for capital expenditures consists primarily of cash used for the operation and upkeep of our network, and cash used to continue to rollout the network.

Capital expenditures in 2003 were R1,197.0 million, or approximately 48.6% of revenue during the same period. Capital expenditures in 2004 were R931.8 million, or approximately 22.7% of revenue during the same period.

Our current business plan provides for capital expenditures of approximately R1.0 billion, or 15.9% of revenue, for 2005, principally to fund the further build-out of our network (approximately R470 million), prepare

for mobile number portability (approximately R130 million), IT and network services (approximately R190 million) and CST containers (approximately R140 million). Capital expenditures during the first three months of 2005 were R147.8 million, or approximately 12.3% of revenue during the same period.

Working capital

Movements in inventories. Our investment in inventories changed from an inflow in 2003 of R302.6 million to an outflow of R48.7 million in 2004, a change of R351.3 million, or 116.1%. The increased outlay was a result of significant improvement in holdings of inventory in 2003, as inventory holdings were reduced to R201.6 million at the end of 2003. The improved stock days were carried over to 2004, but overall inventory holdings increased in 2004 as a result of increased sales, which required a corresponding increase in inventory, as well as increased holdings at December 31, 2004, to prevent stock shortages in January 2005, as handset manufacturers close over December and most of January. Accordingly, in the first quarter inventory levels decreased from R250.3 million at December 31, 2004 to R225.1 million at March 31, 2004.

Movements in accounts receivable. The movement in accounts receivable increased R295.3 million, or 298.9%, from R98.8 million in 2003 to R394.1 million in 2004. The increase was a result of increased revenues. The increase in accounts receivables decreased from R56.9 million in the first three months of 2004 to R10.5 million in the first three months of 2005, attributable to improved cash collections.

Movements in accounts payable. The increase in accounts payable declined by R49.7 million, or 32.0%, from R155.1 million to R105.4 million in 2004. The increase in accounts payable declined from R87.1 million in the three months ended March 31, 2004 to R81.4 million for the three months ended March 31, 2005.

Net Changes in working capital. The cash impact of our working capital changed from an inflow in 2003 of R358.9 million to an outlay of R337.5 million in 2004.

Off balance sheet obligations

We have no material off-balance sheet obligations.

Contractual obligations and commercial commitments

As of December 31, 2004, obligations to make future payments under contracts for the periods indicated were as follows:

Contractual obligations and commercial commitments	Less than 1 year	1-3 years	3-5 years	After 5 years	Total
	(rand in thousands)				
Premises, sites and office equipment	142,574	335,404	334,842	778,666	1,591,486
Roaming agreement[1]	336,000	672,000	336,000	—	1,344,000
Total	478,574	1,007,404	670,842	778,666	2,935,486

(1) Represents the minimum amounts due to Vodacom under our national roaming agreement with Vodacom.

Critical accounting policies and use of estimates

The preparation of our consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities during the periods reported. Estimates are used when accounting for certain items such as unbilled revenue, allowance for bad debt, depreciation and amortisation periods, income taxes and litigation contingencies. We base our estimates on historical experience, where applicable, and other assumptions that we believe are reasonable under the circumstances.

Revenue recognition

We provide mobile communication services and communication related products. We provide such services to postpaid, prepaid and CST markets. Revenue represents the value of fixed consideration that has been received or is receivable. Revenue for services is stated at amounts invoiced to customers and excludes Value Added Tax.

Revenue is recognised when there is evidence of an arrangement, collectability is reasonably assured, and the delivery of the product or service has occurred. In certain circumstances revenue is split into separately

identifiable components and recognised when the related components are delivered in order to reflect the substance of the transaction. The value of components is determined using verifiable objective evidence. We do not provide customers with the right to a refund.

Traffic and value-added services

Prepaid traffic service revenue collected in advance is deferred and recognised based on actual usage or upon expiration of the usage period or whichever comes first. The terms and conditions of certain prepaid products allow carry over of unused minutes. Revenue related to the carry over of unused minutes is deferred until usage or expiration. Service revenue is recognised when the service is provided. CST revenue collected in advance is deferred and recognised based on actual usage or upon expiration of the usage period, whichever comes first.

Interconnection revenue for call termination is recognised in the period the traffic occurs. Revenue related to our network, network-to-network, roaming and international call connection services is recognised when the call is placed or the connection provided. Revenue related to products and value-added-services is recognised upon delivery and acceptance of the product or service.

Postpaid revenue

Postpaid contracts may include a subsidised handset, 12 or 24-month service, activation, SIM-card and other ancillary services. Revenue is recognised as follows:

- the loss on the subsidised handset, which includes costs of the handset and SIM-card is capitalised in intangibles and amortised over the contract period, not exceeding 24 months;
- activation fee revenue received from customers is recognised upon activation by the customer;
- monthly access revenue received from the customer is recognised in the period in which the service is delivered;
- airtime revenue is recognised on the usage basis; and
- any other costs incurred as a result of a new customer are capitalised in intangibles and amortised over the contract period, not exceeding twenty four months.

Prepaid revenue

Airtime

Upon purchase of an airtime voucher the customer receives the right to make outgoing calls and receive incoming calls. Revenue is recognised as the customer utilises the voucher.

Remaining elements of prepaid packages

When a prepaid package is sold, all the costs, which include the cost of the SIM card, together with the commission, are treated as a customer acquisition cost. The cost of acquisition for prepaid customers is expensed in the period in which it occurs.

Equipment sales

Handsets for postpaid subscribers are purchased from vendors and are sold to the distribution channel at cost. The revenue on the sale is included in revenue and the cost is included in cost of sales. When the handset is sold by the distribution channel to the subscribers, the dealer claims a subsidy from us, which is capitalised and amortised as subscriber acquisition costs over the term of the investment. The net effect of the foregoing is that the full cost of the handset contributes to the cost of acquisition of postpaid subscribers.

Handsets for the prepaid market are sold to the distribution channel at margin with the revenue and cost of sales being recognised in the appropriate accounts in the income statement.

During 2003 and part of 2004, we subsidised the cost of handsets to our prepaid distribution channels in order to meet market price points. This subsidy was recognised upon connection of the subscriber.

Cost of services/cost of other sales

Prepaid cost of acquisition, which includes the cost of the handset that is completely or partially offset by handset revenue, the connection bonus and the starter pack, is expensed as incurred. Postpaid cost of acquisition, which includes the fully subsidised handset, the connection bonus and the SIM card, is capitalised to intangible assets and amortised over the contract period, not exceeding 24 months. Other costs are expensed as incurred.

Operating expenses

Operating expenses are expensed as incurred and include the following: Selling, general and administrative, external services, employee costs, lease expenses and depreciation and amortisation. Selling, general and administrative expenses include marketing costs, distribution costs, bad debts, repairs and maintenance, travelling, telephones and all other administration expenses. External services includes consulting fees, legal fees and audit fees. Employee costs include all costs related to employment such as salaries, levies, medical aid and other benefits. Lease expenses include rental costs for base station sites, buildings and office equipment. Depreciation and amortisation includes depreciation of the fixed assets, and amortisation of the licence fee, and the prebid costs (licence acquisition costs).

Foreign exchange gains/losses

Transactions in foreign currencies are recorded at the rate of exchange on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange on the balance sheet date. Gains and losses arising on translation are credited to or charged against income. EBITDA excludes foreign exchange gains and losses.

Property, plant and equipment

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. The cost of plant and equipment acquired under contracts which include an embedded derivative is calculated at the forward rates implicit in the embedded derivative. The cost of self-constructed assets includes the cost of materials and direct labour. Interest costs, foreign exchange gains/losses or hedging gains/losses are not included in the cost of property, plant and equipment.

The table below indicates the deprecation rates for each category of our assets:

Owned	Depreciation rate %
Assets at cost modified due to impact of embedded derivative	
GSM network	14
Assets at cost	
Computer equipment	33
CST equipment	20
Furniture and fittings	10
Leasehold improvements	20
Office equipment	20
Software	33
Leased	
Motor vehicles—commercial	25
Motor vehicles—passenger	20

Licences

The GSM licence cost of R100 million is capitalised as an intangible asset and amortised over the licence period of 15 years. The licence acquisition costs are costs incurred by our parent holding company in obtaining the licence. When the licence was awarded to us, all costs were transferred to us and these costs have been capitalised and amortised over the licence period of 15 years. The variable licence fees based on revenues are accrued and paid annually.

Derivatives

All derivatives are recognised on the balance sheet at their fair value. On the date the derivative contract is entered into we designate the derivatives as either a hedge of the fair value of a recognised asset or liability (fair

value hedge) or a hedge of a forecasted transaction (cash flow hedge). Certain derivatives transactions, while providing effective economic hedges under our risk management policies, do not qualify for hedge accounting and are accordingly not classified as a hedge for accounting purposes. Derivative instruments are not entered into for trading or speculative purposes.

Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a fair value hedge, are recorded in the income statement along with the change in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash flow hedge, are recognised directly in equity (hedging reserve). Amounts deferred in equity are included in the income statement in the same periods during which the hedged firm commitment or forecasted transaction affects profit or loss.

Changes in the fair value of derivatives that do not qualify for hedge accounting are recognised in the income statement. Management is satisfied that the amount provides an effective economic hedge against changes in the value of liabilities that has been recognised through the income statement.

We formally assess, both at hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the fair value or cash flows of hedged items.

The fair value of a publicly traded derivative is based upon quoted market values at balance sheet date.

Contingent liabilities

MTN has filed a court application against ICASA seeking to set aside its approval of our CST rollout on the basis that certain administrative procedures were not properly followed. MTN has also disputed the approval of the location for certain of our CSTs as not constituting “under-serviced” areas. We were joined as a second respondent to the administrative proceeding and have filed a motion to dismiss MTN’s claim on the basis that the application is time barred.

Beginning in September 2004, MTN began withholding interconnect fees for our CSTs on the basis that we are not entitled to preferential interconnect rates. We have filed a claim against MTN for the interconnect fees that have been withheld by MTN. As a result of MTN’s failure to pay these amounts, we have withheld interconnect fees due to MTN. We have accrued for the liability that we believe is owed in terms of the interconnect agreement with MTN. As of December 31, 2004, the unprovided portion equals R130.7 million.

Provisions

Upon purchase of an airtime voucher, the customer receives the right to make outgoing calls and receive incoming calls. Revenue is recognised as the customer utilises the voucher. Prepaid traffic service revenue collected in advance is deferred and recognised based on the earlier of actual usage or expiration of the usage period. The terms and conditions of certain prepaid products allow carry over of unused minutes. Revenue related to the carry over of unused minutes is deferred until usage or expiration.

Quantitative and Qualitative Disclosure about Credit and Market Risks

In the normal course of business, we are exposed to credit risk and market risk from fluctuations in interest rates and exchange rates. We address this risk through our hedging policies and procedures, which are implemented through our treasury committee. The treasury committee is represented by management and members of our board of directors. In addition, we are advised by Rand Merchant Bank on all hedging activities. We do not enter into any derivative transactions for speculative purposes.

Interest Rate Risk

Our exposure to market risk for changes in interest rates relate primarily to our debt obligations. We have no cash flow exposure due to rate changes on the notes because they will bear interest at a fixed rate. We expect that we would have interest rate risk, and hence cash flow exposure, under our new revolving credit facility which would not be interest rate hedged. We would consider entering into hedging arrangements in relation to this interest rate risk.

Currency Risk

We may incur significant currency exchange risks in relation to our purchases of handsets, certain fixed assets, the notes and our euro denominated senior secured notes. We hedge our risk of currency fluctuation through forward exchange contracts ("FEC") on handset purchases. We cover 50% of the following quarters forecasted handset purchases with FECs. The balance of the purchases are covered by buying FECs on receipt of an approved purchase order for the handset. The FECs are purchased in the currency of the handset supplier, predominately dollars and euros.

We also hedged our currency risk relating to our $165 million export credit agency facilities in April 2003 (being a hedge of 60% of the export credit agency facilities). The hedge was a cross-currency basis swap, whereby the U.S. dollar-denominated debt was swapped into rand (being the principal and the interest). This hedge will be unwound in full upon repayment of the existing export credit agency facilities as part of the External Debt Refinancing.

We are currently considering entering into hedging arrangements in relation to our currency exposure and interest rate risks in respect of principal and interest on the notes or a portion thereof and on the senior secured notes or a portion thereof. Any such arrangement could take a number of forms. It might, for example, be credit-linked to our notes. Under any such credit-linked hedge, on the occurrence of a credit default, the hedge would terminate and no mark-to-market payment would be due from either party. Any such arrangements, if entered into, may not fully protect us. See "Risk Factors—Risks related to our operations—Fluctuations in the value of the rand could have a significant impact on our ability to service our existing debt, including the notes and the senior secured notes."

INDUSTRY OVERVIEW

Recent History of South Africa

In 1991, the last of the so-called "pillars of apartheid" legislation was abolished in South Africa and in December 1993, a new constitution was adopted. South Africa's first democratic election was held in April 1994, as a result of which Mr. Nelson Mandela became president and The African National Congress, or ANC, formed a government. The new government has committed itself to reforming the country by focusing on social issues such as unemployment, housing shortages and crime. The government also began a process to reintroduce South Africa into the global economy by implementing a market-driven economic plan.

In June 1999 and April 2004, South Africa held its second and third fully democratic national elections, resulting in the election of Mr. Thabo Mbeki, the leader of the ANC, as president. President Mbeki shifted the focus of government from reconciliation to transformation, particularly in the economy. With political transformation and the foundations of a democratic system in place, the ANC recognised the need to begin to focus on bringing economic power to the black majority in South Africa. The black economic empowerment, or BEE, initiative is intended to play a key role in the future of South Africa's economy, encouraging the redistribution of wealth and opportunities to previously disadvantaged communities and individuals, including blacks, women and people with disabilities.

Economic overview

South Africa's economic development has been relatively stable in recent years with GDP growth averaging 3.0% per year since 1994. Economic growth, after slowing in 2003 with real GDP growth at 2.8%, compared to average real GDP growth of 3.5% over the period from 2000 to 2003, accelerated in 2004, with real growth at 3.7%. The acceleration was principally attributable to strong domestic demand and tourism. At the same time, inflation has continued to fall, complemented by the strengthening of the rand.

	2000	2001	2002	2003	2004
Population (million)	43.7	44.3	45.0	45.7	46.3
Real GDP growth (%)	4.2	2.7	3.6	2.8	3.7
Consumer Price Inflation (%)	5.4	5.7	9.2	5.8	1.4
Exchange rate R:U.S.$ (average)	6.9	8.6	10.5	7.5	6.4

Source: The Economist Intelligence Unit (2005); Statistics South Africa, I-Net Bridge, Bloomberg.

The fiscal policy of the government is likely to continue to focus on increasing both economic growth and investment in order to create employment, while monetary policy appears to remain focused on price stability. Government policy continues to encourage the broadening of ownership of the post-apartheid economy by encouraging BEE initiatives. The government's medium-term budget policy statement, announced in October 2004, appears to indicate that there would be no radical departure from the conservative stance of the government in recent years. The majority of the increased spending would be directed towards social services, focusing mainly on child benefits, health care, public works and HIV/AIDS.

South African Telecommunications Market

As of December 31, 2004, South Africa had a population of 46.3 million and GDP per capita of $4,591, which ranks South Africa alongside other middle-income countries such as Chile, Mexico, Poland, Hungary and Malaysia. Mobile telecommunications revenue amounted to 43.8 billion in the 12 months ended September 30, 2004. The South African mobile telecommunications market has experienced substantial growth over the past years with revenues growing by approximately 21% during that 12-month period.

South Africa is positioned to experience further substantial growth in mobile telecommunications as a result of a number of factors, including:

- a low fixed line penetration rate of only 10.4% as of December 31, 2003;
- lack of availability of fixed line service in many rural areas, with a teledensity of less than 1 line per 100 persons in some areas;
- mobile services being the most cost-effective way of expanding geographic coverage of telephony services;

- increasing urbanisation;
- the significant proportion of the population that are migrant workers; and
- steadily increasing per capita GDP.

History

The South African telecommunications market combines elements of developed markets and those of third world countries. The telecommunications infrastructure is advanced in South Africa. The first mobile service in the country was introduced in 1987 by South African Posts and Telecommunications, a "state business enterprise" operated by the office of the Minister of Transportation and Communications. This enterprise was subsequently incorporated, which became Telkom SA Limited and continued to be owned by the state until it was partially privatised in 1997.

The first GSM network was launched in March 1994 by Vodacom, which is a venture among Telkom, Venfin Limited and Vodafone Group Plc; followed later that year by a second network launched by MTN. This historical background distinguishes South Africa from other African countries that either have not been able to keep pace with, or only recently have begun to introduce, mobile technology. At the same time, a substantial portion of the South African population has limited or no access to the telephony infrastructure.

The South African telecommunications regulatory framework continues to evolve, with significant changes expected to include the launch of operations by the Second National Operator (SNO), the introduction by the end of 2005 of mobile number portability, the implementation of the Convergence Bill and further liberalisation of licence conditions for Mobile Cellular Telecommunications Services (MCTS).

The following table sets out certain macro-economic information for South Africa and selected other emerging markets for the periods presented.

	Population (millions) 2003[1]	GDP per capita (U.S.$) 2003[1]	Fixed line penetration 2003[2]	Mobile penetration 2004[3]
South Africa	46.4	3,624	10.4%	43.9%
Czech Republic	10.1	8,760	36.0%	100.1%
Turkey	68.3	3,360	27.7%	49.4%
Russia	146.6	2,990	24.2%	41.2%
Morocco	30.1	1,516	4.1%	26.9%
Jordan	5.5	1,818	11.4%	26.3%
Egypt	68.7	990	12.7%	8.6%
Nigeria	123.3	387	0.7%	4.3%

(1) Source: International Telecommunications Union, or ITU.

(2) Source: ITU as of the end of 2003, other than for Russia, which is for 2002. Fixed line penetration defined as main telephone lines (PSTN and ISDN) per population.

(3) Source: Global Mobile as of the end of the third quarter of 2004. Mobile penetration is defined as users of portable telephones subscribing to public mobile telephone service per population.

Fixed Line

The fixed line business in South Africa is dominated by the incumbent operator, Telkom. Telkom's fixed-line monopoly expired in May 2002. A "carrier of carriers" licence was issued to Sentech for the international market in May 2002.

A second national operator, or SNO, was due to be licenced during 2003. The government had hoped to announce the winning bidder to hold a 51% stake in the SNO, which would join two state-owned utility companies, Transtel and Eskom Enterprises (EsiTel) (holding jointly 30%) and a BEE partner, Nexus Connection Communications (holding 19%). That process was delayed and ultimately concluded with the awarding first of two 12.5% stakes in the SNO to BEE companies at the end of 2003 and then the awarding of a 26% stake to Tata Group, via its local operation, Tata Africa Holdings, in February 2005. The SNO is now expected to receive its licence in June 2005 and launch in the second half of 2005. The SNO will be issued a PSTN licence to provide the following services: local access, national long-distance, international, public payphone, value-added network and fixed mobile, using, among other things, 3G technology and associated frequency spectrum. Telkom is required to allow the SNO to use all of its telecommunications facilities for the first two years of the licence on a

resale basis. The SNO will be required to provide network-based coverage of all metropolitan areas within five years, increasing to 80% population coverage in 10 years. It will also be required to establish 15,000 CSTs over 10 years.

The government has stated publicly that it is committed under its latest telecommunications policy to undertake a feasibility study into the possible licensing of a third PSTN operator.

Mobile

The seven-year duopoly over the mobile telecommunications market of Vodacom and MTN ended in November 2001 when Cell C launched commercial services. The government conducted a feasibility study into the licensing of a fourth cellular operator, but the results of this study have not been made public, and no government announcements in this regard have been forthcoming. Although there has been no official indication, in light of the regulatory policy trends and our view of what the market can reasonably accommodate, we do not expect that the government will licence a full service fourth mobile operator in the short- to medium-term. We do believe that as the mobile market further develops in South Africa and as a greater part of the under-serviced areas are given access to CSTs, operators will seek to offer more value-added services, will seek to take advantage of the mainly postpaid opportunities presented by the launch of mobile number portability and will focus on prepaid subscribers among the lower income segment.

As a result of the liberalisation of licence conditions for mobile telecommunications in February 2005, mobile licencees may use fixed lines that are required for the provision of service, including fixed lines made available by Telkom or any other person providing PSTS (including self-provisioning).

We estimate, based on publicly available figures, that the total active mobile subscriber market, defined as subscribers who make/receive a revenue-generating call within three months, was 22.2 million as at March 31, 2005. The following table sets out certain operating data in respect of South African operations for each of the three mobile telecommunications operators in South Africa.

	Cell C	MTN	Vodacom
Launch Date	2001	1994	1994
Spectrum	GSM 900/1800	GSM 900/1800	GSM 900/1800
Estimated market share (%)[1]	11%	36%	53%
Active subscribers (millions)[1]	2.4	8.0	11.8
ARPU (blended)[2]	R123	R184	R176

(1) As of March 31, 2005, based on active subscribers. Source: Cell C and published company reports of MTN and Vodacom.

(2) Source: Published company reports of MTN and Vodacom, for twelve months ended March 31, 2005. Based on active subscribers.

Regulation

ICASA is the regulator of the telecommunications and broadcasting industries in South Africa. ICASA was established in 2000 and took over the functions of two previous regulators, the South African Telecommunications Regulatory Authority, or SATRA, and the Independent Broadcasting Authority, or IBA. ICASA regulates the telecommunications and broadcasting industries in the public interest.

The government has stated publicly that it is committed to bringing universal and affordable telecommunications services to the population of South Africa, and addressing the needs of historically disadvantaged communities. We expect that, as a result of this policy, the telecommunications industry will undergo liberalisation and the framework to extend and deepen competition will be extended to all sectors in the medium-to long-term.

In the short-term, we expect a number of regulatory initiatives that are part of the government's "managed liberalisation" program to be put into place over the next few months. The most significant is mobile number portability, which under existing legislation must be introduced before the end of 2005. ICASA has the discretion to determine when in 2005 portability will be launched and, in the meantime, is in the process of drawing up implementing regulations that govern, among other things, the creation of a national number portability database, porting and cost allocation and cost recovery among service providers.

For a detailed discussion relating to the regulation of the telecommunications industry in South Africa, see "Regulation and Licence Requirements."

Overview

We are the newest of the three mobile telecommunications companies operating in the Republic of South Africa. Following the grant of a 15-year licence to us, we commenced full commercial operations in November 2001 with the launch of our prepaid services and postpaid services in late 2001. Our two competitors, Vodacom and MTN, both launched in 1994.

Since our launch, we have expanded rapidly. As of March 31, 2005, we had approximately 2.4 million active subscribers, consisting of approximately 500,000 postpaid subscribers and 1.9 million prepaid subscribers. In addition, since July 2003, we have provided community telephone services through the deployment of CST-manned public pay telephones to under-serviced areas across South Africa. CST service is available to the community at a reduced tariff and at preferential interconnect rates to operators as set by ICASA, our regulator. As of March 31, 2005, we had deployed 17,575 CSTs. We expect to have deployed 35,500 CSTs by the end of 2005 and reach our required license obligation of 52,000 CSTs by the end of 2006. We estimate that, as of March 31, 2005, our active subscribers represented approximately 11% of the active subscriber market in South Africa. We estimate our share of the relatively higher ARPU postpaid market is greater than our overall market share, at 13.5%. We have 39.3% of the currently deployed CSTs in the country.

We provide our services through our own new and substantially complete, state-of-the-art digital GSM 900/1800 dual band mobile telephone network and by routing a portion of our customer traffic over Vodacom's GSM mobile telephone network under a long-term national roaming agreement. That agreement runs concurrently with our licence. Through this agreement, we have been able, since our launch, to provide coverage comparable to our competitors (approximately 95% of the South African population). As of March 31, 2005, we had a network of over 2,000 base stations providing coverage to all cities in South Africa with populations over 50,000. We achieved our final license requirement of 60% population and 8% geographic coverage two years early, with current population and geographical coverage of approximately 65% and 9%, respectively. We carry approximately 80% of our total traffic on our network, and we intend to increase this percentage to 85% by the end of 2006 through the addition of 309 base stations. The addition of these base stations will complete our planned rollout.

We market our services under the Cell C brand. We have established the Cell C brand as a distinctively South African brand with a national recognition rate comparable to the incumbent mobile networks. In marketing our services, we offer differentiated products tailored to satisfy both the usage profiles and payment preferences of our customers. We distribute our services through over 4,000 points of sale, consisting of our Cell C branded sales centres, independent dealers and wholesalers, national retail chains, a call centre and internet portal operated by a third party under our brand, and our direct sales force, as well as two long-established, non-exclusive service provider channels predominantly for postpaid services, Nashua Mobile and Autopage Cellular.

For the year ended December 31, 2004, we had revenues of R4.1 billion (€506.8 million), net cash outflow from operating activities of R988.5 million (€122.2 million) and a net loss of R680.7 million (€84.1 million) and for the quarter ended March 31, 2005, we had revenues of R1.2 billion (€147.9 million), net cash outflow from operating activities of R159.6 million (€19.7 million) and a net loss of R483.1 million (€59.7 million). In 2004, we generated EBITDA of negative R46.6 million (€5.8 million), but became EBITDA-positive on a monthly basis during the second quarter of 2004. For the quarter ended March 31, 2005, we generated EBITDA of R65.2 million (€ 8.1 million).

Strengths

We believe we benefit from a number of strengths. The combination of these strengths has enabled us to develop a competitive market position, including a stronger than expected postpaid subscriber mix for a third entrant. These strengths include:

Attractive network and coverage proposition. Our state-of-the-art network infrastructure and our roaming agreement with Vodacom enable us to provide high quality services to our customers across South Africa on a cost-efficient basis. Since commercial launch, we have been able to offer coverage to approximately 95% of the South African population, a level comparable to that of our competitors, through our roaming arrangement with Vodacom. This "instant" full coverage allowed us to establish our Cell C brand nationally and rapidly rollout distribution channels for our products and services on a nationwide basis. We believe that our operating licence and the national roaming agreement with Vodacom have provided us with substantial flexibility to optimally manage the rollout of our own network for maximum return on investment. Our roaming agreement has enabled

us to identify areas of high traffic and thereafter to target such areas for the location of our base stations. As a result of our targeted network rollout, at present we carry approximately 80% of our traffic on our own network, with relatively limited capital investment. Furthermore, our roaming agreement enables us to extend to our subscribers all services currently offered or to be introduced by Vodacom's network. We, therefore, are now, and will continue to be able to offer our customers a comprehensive range of services without having to incur significant costs to upgrade our network.

High margin community service telephone business. Under our licence, we are obligated to deploy 52,000 CSTs in under-serviced areas. These telephones are manned pay telephones that provide customers in under-serviced areas with telephony at a regulated, reduced calling rate of R0.90 per minute for national calls. The traffic generated by CSTs required to meet our licence obligations is entitled to preferential interconnect rates with other licenced fixed and mobile networks (approximately a blended R0.07 per minute versus a blended standard rate of approximately R1.05 per minute). Our competitors, MTN and Vodacom, have lower rollout requirements (7,500 and 22,500, respectively) and, hence, fewer units entitled to preferential rates. As of March 31, 2005, we had deployed 17,575 CSTs and expect to have deployed 35,500 CSTs by the end of 2005 and the balance in 2006, two years ahead of our 2008 deadline. In addition to generating higher ARPU and margins comparable to prepaids, CSTs enhance our brand in the informal market areas (as a significant proportion of these phones are located in large distinctively branded container structures).

Strong black economic empowerment rating. South Africa has experienced a fundamental social shift in the past decade, one of the results of which has been a focus by municipal and other governmental bodies, businesses and others on the achievement of the goals of black economic empowerment, or BEE. One element of BEE is to give priority in procurement to enterprises that score well on objective BEE measures, which have evolved informally into market practice. These include, among other things, ownership by BEE shareholder vehicles, purchasing from BEE vendors, employment of "historically disadvantaged" individuals and women, and commitment to training. Based in part on our ownership structure (CellSAf being a BEE entity representing 33 black empowerment groups), significant purchases from BEE vendors and workforce composition (77% of our employees are "historically disadvantaged" individuals and 43% are female), we believe our BEE credentials are stronger than those of our competitors. Our BEE credentials provide us with a competitive advantage in securing customers in the private sector that wish, or need, to procure services from companies with strong BEE ratings or from municipal and other governmental bodies acting in line with government BEE policy. For example, we recently won contracts from the City of Cape Town, an arm of the intelligence services and a major financial institution, due in part to our BEE profile. We are also participating in the development of the Black Economic Empowerment Charter for the Information and Communications Technology (ICT) sector, which will formalise the BEE rating system for this sector.

Strong brand identity. We have established in the few years since our inception, and are actively promoting and developing, our distinctive South African brand. We believe that our brand has been and will continue to be a significant factor in our success. Despite our lower media budget compared to our competitors and our relatively shorter history, our brand recognition is comparable to our competitors, while our top of mind awareness consistently exceeds our market share. A key element of our success has been our effort to build our image as the champion of the South African mobile phone user community, focusing on enhancing value for subscribers as individuals with specific lifestyles. We reinforce our brand image through a combination of traditional media campaigns and community-based activities, including cultural event sponsorship.

Flexible, innovative product offerings. We emphasise value, simplicity and choice-for-individual-lifestyle to differentiate our product offering. We offer various value propositions across our product range, including discounted Cell C-to-Cell C calling rates, "friends & family" discounts, per second billing options, a unique prepaid flat rate tariff, international call discounts and a free "call-me-back" SMS feature. We also offer without charge various "lifestyle" incentives for all postpaid customers, such as roadside assistance, medical rescue and medical advice. Our service offering is simple and flexible. We strive to simplify the process by which subscribers apply for our services, locate, purchase and activate products, top-up prepaid airtime, switch between product options and obtain assistance. Our tariffs are easy to understand and easy to apply; we offer three prepaid tariff options and four main postpaid tariff options, as well as hybrid tariff options that provide a unique range of fixed, contract-based monthly subscriptions with optional airtime top-up capability.

Flexible systems. We have state-of-the-art information technology that provides us with significant operational flexibility and, among other things, enables us to add or modify service offerings and leverage of customer relationship management. For example, this flexibility allowed us to launch our hybrid product, Control Chat, which enables customers to select a pre-determined contract credit limit and thereafter optionally top up with prepaid vouchers.

Experienced management team. Our management team includes individuals with significant prior experience in operating and managing telecommunications businesses locally and internationally. The core of our management team has been with us since our formation and was responsible for the successful bid to obtain our licences and the formulation and implementation of our business plan and network rollout strategy. Through their prior association with Saudi Oger, our Chief Executive Officer and Chief Financial Officer have gained significant experience in managing large infrastructure projects in many parts of the world.

Strategy

Our objective is to enhance revenues and cash flows by strengthening our position in the growing South African mobile communications market and focusing on profitable growth opportunities. The key elements of our strategic plan are to:

Focus on quality subscriber growth and the completion of our CST rollout. Although a portion of our growth can be expected to flow from overall market and economic development, we intend to focus primarily on customers in the mid-and upper-market segments, with particular emphasis on attracting higher ARPU customers from our competitors. The introduction of mobile number portability will provide us with a significant opportunity to capture customers from our competitors. We are also in discussions with Virgin, which is perceived as a premium brand in South Africa, to establish a service provider (similar in concept to an MVNO) under the Virgin Mobile brand to target the high-end (and hence higher ARPU) consumer market segment through Virgin's established brand equity and differentiated service proposition. We also intend to launch enhanced data services, such as e-mail, EDGE and 3G, and additional value-added services to align our service offerings with the needs of high-end customers. Our complementary strategy for addressing the lower end of the market in the most efficient and profitable manner is to complete our CST rollout. We believe that having 52,000 CSTs in under-serviced, but high-usage, areas will position us to capture a significant portion of the low-end of the South African market without the attendant churn and costs customarily associated with the prepaid market. Moreover, CSTs allow us to do so at margins comparable to those of prepaids.

Proactively manage customers to maximise revenues and minimise churn. We seek to improve the segmentation and the collection and evaluation of data on our customer base in order to continuously optimise and design segmented product and service offerings that we believe will enhance ARPU and minimise churn. We mine our subscriber base to identify target segments, after which we run automated marketing campaigns via multiple media, including outbound telephony and SMS, to these segments. This allows us to proactively communicate with, retain and up-sell to our subscriber base. In particular, we are thereby able to strengthen our customer relationship management efforts with a focus on higher value subscribers to increase ARPUs and reduce churn rates.

Further develop our product offerings. We intend to enhance and expand our offerings by developing additional products and services targeted at lifestyle segments, either ourselves or by using third party developers (WASPs). We also plan to introduce new technologies as they become available. We believe that the open platform design of our network, together with the flexibility of our roaming agreement with Vodacom, will allow us to offer our subscribers access to an array of new and innovative products and services in the future.

Further develop our brand. Following our aggressive entry into the market as a "challenger" brand, we are now positioned to broaden the appeal of our brand to target more mature market segments. As our media resources are more limited than our competitors', we will seek to accomplish this through lifestyle campaigns targeted at these segments. In addition, we will continue to leverage our brand equity in the middle market segment, where we are already well-positioned.

Our brand draws heavily on notions of community. We will continue our sponsorship of community programs, and intend to expand our range of services that respond to community concerns, such as safety and community development, and that reinforce our image as a community champion. We will seek to continue to leverage our track record on BEE initiatives, our commitment to roll out a network of CSTs and our other community-based initiatives in a number of ways, including, for example, to secure public sector and government contracts.

Improve operational efficiencies. Since our full commercial launch in November 2001, the primary focus of our operations has been to maximise the number of subscribers registered on our network. We will continue to build our customer base in the future to enhance our operating leverage and to increase economies of scale. While we seek to grow further in the future, we intend to do so with improved gross profit margins. We seek to lower our churn-related acquisition costs for prepaid subscribers through the introduction of hybrid offerings. In

the case of our postpaid offerings, we will seek to reduce subscription acquisition costs through the introduction of a wholesale service provider model and by having a policy of not leading the market on average cost of acquisition by product category. We also intend to improve our gross profit margin by continuing to improve distribution costs and slowly reducing airtime commissions. Finally, we will seek to reduce direct roaming costs by reducing the share of roaming traffic through the extension of our network. In parallel with improving gross profit margins, we will seek to monitor the evolution of our fixed cost base, in particular our employee costs, to maximise our operating leverage potential.

Further diversify our sources of revenue. We will seek opportunities to diversify our revenues. For example, in addition to taking advantage of the opportunity with Virgin Mobile to establish an enhanced service provider, we will consider other potential wholesale opportunities in the medium-term. In the short- to medium-term, we will seek to enter into additional revenue sharing arrangements with WASPs, which are providers of mobile content services and applications, such as games, ringtones, themes and corporate mobility applications, for which we would provide the network infrastructure and billing systems. We also plan to launch our own Cell C branded mobile internet portal to provide downloadable content, such as ringtones, logos, music and games, as well as access to our internet-based customer service platform. We also believe that our launch of EDGE and 3G during 2005 will provide platforms that have the potential to lead to an increase in revenues in the future.

History and Network Rollout

We were formed by Saudi Oger and CellSAf, our initial indirect 54% and 40% shareholders, to participate in the tender issued by ICASA, for a digital GSM 900 and 1800 dual band mobile telephone licence in South Africa.

Our bid was successful, and we received our operating licence in June 2001 and our spectrum licence in August 2001, each for an initial 15-year term, which we may renew. In November 2001, we completed the initial implementation of our core network, comprising one mobile switching centre and one home location register in Johannesburg and installed our IN platform to facilitate the launch of our operations. We also entered into a national roaming agreement with Vodacom that enabled us to route calls over Vodacom's national GSM 900 network. Later that month, we launched full commercial operations, initially offering prepaid services and, commencing in December 2001, postpaid subscription services to customers across South Africa. Through our roaming on Vodacom's network, we have been able to offer coverage to approximately 95% of the population since our commercial launch.

By February 2002, our network had grown to include mobile switching centres in Johannesburg, Pretoria, Durban and Cape Town, the most densely populated urban areas in South Africa and the principal hubs of cellular usage in the country. In addition, we had built over 70 base stations in Durban and Pretoria. Since then we have continued to rollout our network and increase our customer base. The following table sets forth some of our milestones as of the end of each year since our launch.

Date	Active subscribers(1)(2)	CSTs	Own network geographic coverage(3)	Own network population coverage(4)	Own / roaming traffic(5)	Base stations(6)
2002	175,675	—	1.0%	5.0%	30/70	700
2003	1,744,046	5,141	6.11%	46.4%	60/40	1,552
2004(7)	2,161,549	15,129	8.71%	63.0%	75/25	2,005

(1) Includes all connected postpaid and prepaid subscribers who have made a revenue-generating incoming or outgoing call during the preceding three months. This category does not include users of our CSTs.

(2) Represents subscribers connected through Cell C Service Provider, Autopage Cellular and Nashua Mobile, and does not include subscribers obtained from the two service providers we terminated in connection with the restructuring of our commission and incentive program to eliminate arbitrage opportunities. Total prepaid subscribers, including the subscribers attributable to the terminated service providers, would have totalled 1,600,908, at the end of 2003, for a total of 1,904,444 subscribers.

(3) We calculate geographic coverage by reference to established mapping criteria.

(4) We calculate population coverage by reference to census data published by governmental agencies.

(5) Approximate.

(6) As of December 31, 2004, our 2,005 base stations in operation covered all major cities with populations of over 50,000 in South Africa.

(7) Coverage levels as of this date exceeded our final 2006 license obligations of 60% population and 8% geographic coverage.

We will continue to build out our network through the rollout of the remaining few hundred additional base stations, in order to carry approximately 85% of total traffic on our own network by the end of 2006.

Shareholding structure

Saudi Oger and CellSAf, our initial shareholders, hold indirectly 54% and 40%, respectively, of our share capital. In connection with a restructuring of its shareholder loans, CellSAf has agreed to transfer a portion of its shares in 3C Telecommunications (reducing its ownership to 25%), and 40% of the shareholder loans that it has extended to us, to Lanun Securities. As a result of this Shareholder Restructuring, CellSAf will hold 25%, Lanun Securities will hold 15% and Oger Telcom South Africa will continue to hold 60%, directly of 3C Telecommunications and indirectly of our share capital. The Shareholder Restructuring is subject to various conditions, including approval by ICASA, our regulator, the South African antitrust authorities (which has been granted) and SARB of the share transfer and the corresponding changes to our licence. Neither element of the Shareholder Restructuring will proceed if the requisite approvals are not forthcoming.

Products and services

As the last entrant in the South African telecommunications market, we believe that a focused marketing strategy is critical to achieving our goal of becoming a leading provider of high quality and innovative mobile telecommunications services in South Africa. Our strategy is based on our unique Cell C brand, our flexible product platform, our integrated marketing communications and the fulfilment of our customer service promises.

Through market research, we determined that cellular customers at the time of our launch were generally satisfied with network coverage and telecommunications services offered by our competitors. Customers, however, were generally dissatisfied by a perceived lack of value evolution resulting from the incumbents' duopoly. This led us to position our brand as challenging the status quo and providing good value to customers in well-defined lifestyle segments.

Our brand tag line, " C… for yourself," is both a promise of value and an appeal to the individual. This promise and appeal are expressed through the concepts of "simplicity" and "choice" applied to our approach to both products and distribution.

From the outset, it was important to have a full yet simple product and service offering. We initially launched prepaid services which were immediately followed by the launch of our postpaid services. In July 2004, we launched our hybrid offering. Today, our subscribers can choose among:

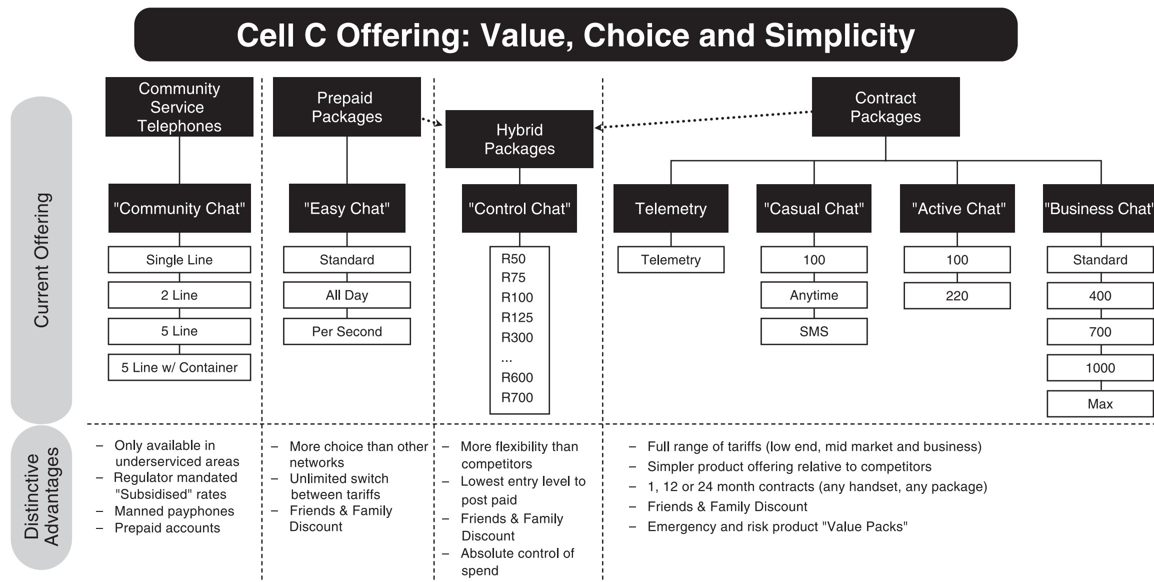
- our postpaid contract subscriptions;
- our hybrid part-subscription, part top-up services, which we introduced under the brand name Control Chat;
- our prepaid services utilising prepaid voucher top-ups; and
- our CSTs in under-serviced areas.

This product range is rolled out via a wide array of distribution channels, each with varying levels of experience and product focus, to ensure potential customer markets have the appropriate mix of products available for purchase.

In addition to our standard GSM and GPRS telephone services, which include international dialling and roaming, we offer our subscribers value-added mobile voice and data services, including voice mail, SMS, MMS, fax and data services, and 24-hour customer service. We also sell mobile GSM handsets and accessories. During 2005, we will include EDGE and 3G services in our product range.

As of March 31, 2005, we had approximately 2.4 million active subscribers comprising 500,000 postpaid subscribers (including Control Chat subscribers) and 1.9 million prepaid subscribers, representing 21% and 79% of our active subscriber base, respectively, percentages that are comparable with those of our competitors.

The following diagram illustrates the complete range of products and tariff options that we offer:



Postpaid services—Telemetry, Casual Chat, Active Chat and Business Chat

Postpaid subscribers sign a subscription contract with us following a credit check. They have the option to choose a minimum contract period to which they are bound for one, 12 or 24 months. In line with the South African mobile market, our postpaid subscribers are typically bound to their contract for 24 months. Our postpaid services and the prices we charge for these services vary across service packages that are targeted at different segments of our subscriber base.

We offer four broad categories of postpaid service packages: Telemetry, Casual Chat, Active Chat and Business Chat.

Excluding Telemetry, which is intended as a data only package for machine-to-machine communications, all postpaid packages include basic mobile telephone services, including international roaming and GPRS, as well as various value-added services, such as voice mail, SMS, MMS, fax and data services, call forwarding, call waiting and WASP mobile content services.

Our products are tailored for the specific needs of our target subscriber segments and, accordingly, different tariffs provide varying billing increments including per second billing from the first second, varying international discounts and "friends & family" discount rates on peak calls, on certain plans.

We bill our postpaid subscribers for our services on a monthly basis. The main components of our monthly bill are a one-time connection fee, a monthly access fee, which may include a set number of included minutes, airtime fees, fees relating to value-added services and various discounts. The monthly access fee, included minutes, airtime fees, airtime usage rules and discounts vary across our service packages. We bill all our postpaid subscribers in one second increments, either after the first minute, after the first 30 seconds, or from the first second depending on the type of package.

The following table sets forth the monthly fees and basic value elements for our Telemetry, Casual Chat 100, Active Chat 100 and Business Chat 700 products. Although we offer a number of tariff options within each product family, this information is illustrative of the differences between our postpaid products.

	Telemetry	Casual Chat 100	Active Chat 100	Business Chat 700
Connection fee	R99.00	R99.00	R99.00	R99.00
Contract length (months)	1/12/24	1/12/24	1/12/24	1/12/24
Monthly fee	R42.00	R105.00	R250.00	R1,080.00
Unitisation rule	60sec/1sec	60sec/1sec	30sec/1sec	1sec/1sec
Included minutes	80 anytime SMS	100 off-peak	100 anytime	700 anytime
Value pack	YES	YES	YES	YES
Friends & family discount	NO	YES	YES	NO
International discount	NO	NO	10%	20%
Handset warranty and insurance	NO	NO	YES	YES

Prepaid services—Easy Chat

For customers that wish to have greater control over their mobile phone costs, or who have no or poor credit histories, we offer our prepaid product under the Easy Chat brand ("Life's easier with Easy Chat"). Prepaid subscribers do not have a subscription contract with us. Instead, these subscribers purchase a Cell C starter pack containing a SIM card and activate it on the network. Thereafter, they may purchase airtime top-up vouchers from our airtime distribution channels. Prepaid subscribers may provide their own handset or, optionally, may purchase a new one from a range that we sell through various prepaid distribution channels.

Our segmentation has led to three different Easy Chat tariff options:

- **Per second**—this tariff option offers prepaid customers a pure per second unitisation. It also provides excellent value during off-peak times. It is aimed at customers who generally make short duration calls during peak times.
- **Standard**—this tariff option offers standard peak/off-peak differentiated tariff levels and is preferred by subscribers with more even peak/off-peak usage patterns.
- **All day**—this tariff option, unique to Cell C, offers customers a flat rate for all national calls—a simple to understand option suitable for the subscriber who mostly call during peak time.

The price of prepaid airtime and the usage rules vary across the three Easy Chat tariff options. We offer our prepaid subscribers choice and flexibility by allowing them to swap between tariff options through their handsets at any time for a nominal fee.

Our prepaid services include basic mobile telephone services such as international calling as well as value-added services, such as voice mail, five free daily "call me backs" across all mobile networks, SMS, MMS, call forwarding, call waiting, conference calling and access to WASP mobile content services using SMS. In addition to our range of prepaid airtime vouchers that includes the lowest airtime denomination R5 voucher in the market, we were the first to offer a special purpose "100 SMS" voucher to the market, with savings off normal SMS rates. Finally, we offer prepaid subscribers volume discounts on calls depending on the value of the prepaid voucher they purchase.

We offer value-added packages targeting specific lifestyle segments. In October 2003, we launched "cY", a prepaid package tailored to the high value youth lifestyle segment. cY, our first lifestyle-aligned product, was intensively researched on campuses and then developed through a process involving a team of students on every aspect of the product design, from the included services to the retail price and marketing style. cY offers value-added services such as 10 SMS per month, five free ringtones, and logos, and complementary movie tickets. cY ARPUs are higher than standard prepaid ARPUs.

We offer all prepaid customers a "friends & family" option which provides them a discount of up to 17% on calls to four pre-selected national phone numbers. Customers may change the pre-selected phone numbers through their handset at any time for a nominal charge.

Hybrid services—Control Chat

In July 2004, we launched Control Chat, which is a hybrid product offering that shares elements of both prepaid and postpaid services. Within six months of launching Control Chat, we obtained over 25,000 Control Chat subscribers. Control Chat provides for a pre-determined contract credit limit as well as prepaid top-up facilities at the customer's choice. By combining these features, we develop greater loyalty among the high-end prepaid user group by offering customers a convenient method of controlling their monthly mobile bills. This convenience appeals to, among others, companies that wish to subsidise a minimum amount of airtime for their employees, with the flexibility that employees can top up at their own expense above the set limit.

Control Chat is available through either a 12 or 24 month contract following a more lenient credit check than for postpaid and a choice of 16 set monthly debits from the customer's bank account. As with prepaid products, we offer three tariff plans within Control Chat: per second, standard and all day. A number of options are available for Control Chat including, call me back, "friends & family," voice mail, emergency service, SMS, fax and data services, call forwarding, call waiting, WASP mobile content services and GPRS. Each of the 16 available Control Chat packages offer customers included monthly SMS and airtime, or both.

Community service telephones

CSTs are a unique feature of the South African mobile telecommunications market and part of our licence obligations. CSTs are public pay telephones deployed in under-serviced areas, providing consumers with a

regulated and reduced calling rate to national numbers, as well as international calling at market rates. CSTs are an example of "fixed-mobile" using GSM coverage to augment fixed line penetration in low fixed-line teledensity areas.

We launched CSTs commercially in July 2003. Our operating licence requires us to deploy 52,000 CSTs in under-serviced areas by 2008. We expect to reach this goal by the end of 2006. As of March 31, 2005, we deployed 17,575 community telephone units and we intend to have deployed 35,500 CSTs by the end of 2005. In addition, under our new agreement with Vodacom, we have the capability to roam a maximum of 15,000 CSTs on Vodacom's network at reduced roaming rates.

We procure and sell to local entrepreneurs specially designed prepaid fixed-mobile community service telephone units. These units are sold to local entrepreneurs (from historically disadvantaged backgrounds) either on a stand-alone basis or grouped in a prominently branded, room-sized container equipped with five lines. The local entrepreneurs operate these phones as manned pay phones at specifically approved sites in their communities. CST units are recharged over-the-air (OTA) by CST operators with prepaid airtime when the airtime on the phone units run out. CST operators earn a 33% margin on airtime sales.

A reduced, regulated retail tariff of R0.90 per minute is charged for all national calls, which may be increased in the future for inflation. Interconnection fees are also set at reduced rates by ICASA. The current blended termination cost, taking into account both on-net and interconnect traffic is approximately R0.07, which contrasts to the blended standard rate of approximately R1.05 per minute. As a result, CSTs represent an opportunity for us to earn substantial revenues at high margins, comparable to those for prepaid subscribers. In addition, CSTs are an excellent marketing platform in under-serviced communities due to various factors. First, they offer calls at relatively low rates, which enforces the value dimension of our brand. Second, the CST entrepreneurs and, by extension, the communities are economically empowered by virtue of the CST business opportunity. Third, CSTs enhance our brand presence through distinctively and conspicuously branded CST containers.

Value-added mobile voice and data services

In addition to standard GSM telephone services, we currently offer, and develop on a continuous basis, a variety of additional value-added services to differentiate our products and increase customer usage. We focus on implementing and offering those services that are likely to be popular with our customers and which would add value to our business. The services we offer include the following:

- GPRS data
- Voicemail
- SMS
- MMS
- Ring tones, logos and games (via WASP partners)
- Roadside assistance
- Medical rescue and advice
- Handset insurance
- Extended handset warranty
- Dual SIM
- Fax mail
- Account balance inquiry
- WIG

We will launch mobile number portability when it is implemented in South Africa. In addition, we plan to launch the following additional services during 2005:

- Business Chat Max Extension
- GPRS / EDGE data services for PC connectivity to the internet
- E-mail
- Additional lifestyle value packages
- Our own mobile internet content portal

Handset and accessories sales

We offer a broad selection of high-quality handsets and related accessories from several manufacturers including Nokia, Sony Ericsson, Siemans, Motorola, Samsung and others. We offer dual-band handsets that can operate on GSM 900 and GSM 1800 and tri-band handsets that also operate on GSM 1900 networks, allowing subscribers to roam across GSM networks globally. New advanced handsets have many additional features and enable advanced data services, allowing us to introduce various new wireless services. These services include internet access, email, MMS and photo imaging. We plan to start selling EDGE and 3G capable handsets during 2005.

Mobile telephone service providers in South Africa, including us, subsidise handsets up to 100%, to postpaid customers, provided they contract to remain subscribers for a minimum period of time, typically 24 months. The extent of the subsidy depends upon the included airtime and tariff plan, special promotions, the handset purchased and the subscriber's prior usage pattern. Contract subscribers, including subscribers under our Control Chat plan, are eligible for handset upgrades on contract renewal, provided certain conditions are met.

We currently purchase handsets from suppliers at market prices, though in the future expect to outsource the acquisition and channel distribution of handsets. Mobile users may use any handset across mobile telephone networks by replacing the SIM-card unless the handset is network locked. Typically, we lock only higher specification subsidised postpaid handsets.

International roaming

International roaming enables our postpaid subscribers to make and receive calls when travelling outside South Africa by using the networks of operators with whom we have entered into international roaming agreements. International roaming also enables us to offer network services to customers of other networks with whom we have roaming agreements while they are in South Africa.

Currently, we have international roaming agreements with 269 mobile network operators in 121 countries, including 38 African countries as well roaming through the Thuruya international satellite network. While we expanded our network of bilateral international roaming agreements (adding approximately ten per month), we also secured access on a temporary basis to the international roaming network of Comfone/Swisscom with a coverage of approximately 310 networks. This arrangement will be wound down during the second quarter of 2005 in view of the relationships we now have in place.

Interconnection services

We provide interconnection services to the other two South African mobile service providers and to Telkom's fixed line business in respect of calls terminating on our network. For international traffic, we interconnect with Telkom and Sentech, the two third-party licenced international gateways in South Africa. We will also interconnect with the SNO when it launches later in 2005.

Tariffs

Our tariffs are subject to regulatory oversight and, in the case of CSTs, approval by ICASA.

Customers

We have experienced substantial growth in our subscriber base since we launched commercial services in November 2001. Due to our early stage development, these growth rates are not necessarily indicative of growth rates of any future period.

As of March 31, 2005, we had approximately 2.4 million active subscribers comprising 500,000 postpaid subscribers (including Control Chat subscribers) and 1.9 million prepaid subscribers, representing 21% and 79% of our active subscriber base, respectively, percentages that are comparable with those of our competitors. As of March 31, 2005, we had deployed 17,575 CSTs.

The following table sets forth customer data for our services as of the dates indicated. For a discussion of the South African mobile telecommunications market, see "Industry Overview."

	As of								
	March 31, 2003	June 30, 2003	Sept 30, 2003	Dec 31, 2003	March 31, 2004	June 30, 2004	Sept 30, 2004	Dec 31, 2004	March 31, 2005
Subscribers[(1)]:									
Postpaid	157,146	195,216	236,656	303,536	327,949	360,403	398,220	459,589	504,187
Adjusted prepaid[(2)]	1,032,997	1,231,766	1,292,955	1,440,510	1,452,151	1,594,503	1,566,883	1,701,960	1,882,584
Unadjusted prepaid[(3)]	1,032,997	1,231,766	1,479,893	1,600,908	1,608,491	1,610,460	1,580,213	1,701,960	1,882,584

(1) This includes all connected postpaid and prepaid subscribers who have made a revenue-generating incoming or outgoing call, SMS, MMS or other revenue-generating event, during the preceding three months. This category does not include users of our CSTs.

(2) Represents subscribers connected through Cell C Service Provider, Autopage Cellular and Nashua Mobile, and does not include subscribers obtained from the two service providers we terminated in the second quarter of 2004 in connection with the restructuring of our commission and incentive program to eliminate arbitrage opportunities. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Revenue—Subscriber Growth."

(3) Includes subscribers attributed to the terminated service providers referred to in note (2).

Marketing

Our marketing strategy is based on our proprietary Cell C brand and our flexible product platform, and emphasises our themes of "value," "simplicity" and "choice." As the third entrant and market challenger, we seek to have our brand associated with being innovative, successful, adventurous and fresh. However, as a relatively more established company with a substantial subscriber base and revenue stream, we are now also embarking on a strategy to develop our brand to appeal to the mid- and upper-market segments and business customers.

We have adopted a comprehensive communications strategy that includes television, radio, internet, press, outdoor billboards, community and national sports, arts and music sponsorship, public relations and the utilisation of customer relations management tools and techniques. We build campaigns around product launches and other similar events, including, for example, campaigns in connection with the launch of Control Chat, our unique hybrid product, and Half Tiger R5 vouchers, the lowest entry-level voucher offered in our market. In 2005, we will launch a significant campaign as part of our strategy to churn customers from our subscribers in connection with the introduction of mobile number portability.

We also expect to launch a branded content and services portal, which is being developed by a leading content provider in South Africa. The portal will be supported by a new web site and content brochure. We will be responsible for marketing the content and expect to focus on South African content, including local artists.

In addition to traditional media, we support our community with sponsorships, such as our "take a girl child to work" program and "sounds of the city" program, which are music events featuring local performers, which complements our "art in the city" campaign in which we commissioned visual art incorporating the Cell C logo from local artists and enlarged the art work for display on buildings in urban areas in need of revitalisation. Another example of our focus on community issues, in this case the general concerns about safety, was our launch in 2004 of Roadside Assistance for all postpaid customers through a campaign that included radio, television, billboards and in-store points of sale.

We believe that our focus on distinctively South African community issues differentiates our brand from those of our competitors. Through our marketing campaigns, we believe we have been able to achieve, with limited expenditures relative to our competitors, disproportionately high market reputation and recognition of our brand.

We have developed a dedicated segment management, subscriber data analysis and market research capacity including extensive use of specialised third party research firms. Through this expertise we segment the mobile communications market along three primary axes: usage profile, geo-demographics and lifestyle. Each of these segmentations provides insights which guide different aspects of the marketing mix. Usage profiling is the primary guide for the design of alternative tariff options. Lifestyle segmentation contributes insights to the value added service elements, packaging, channel, campaign creative and media plan most suited to the various roles cellular plays in customer lifestyles. Finally, demographic segmentation provides insights into product payment and credit options, channel rollout, marketing campaigns and media plans.

Sales and Distribution

We elected to distribute our products and services through both direct and indirect channels and as of March 31, 2005, had established in excess of 4,875 formal points of sale and 5,000 informal points of sale. In April 2001, we established Cell C Service Provider Company (Pty) Limited, our wholly owned subsidiary, as our in-house or direct channel, and assigned it responsibility to execute our strategy for sales, customer care and customer credit management. Cell C Service Provider has developed a multi-channel sales and distribution capacity targeting both postpaid and prepaid subscribers.

Direct distribution channels (Cell C Service Provider)

As of March 31, 2005, Cell C Service Provider's subscribers accounted for 72.5% of our total customer base, comprising 15% postpaid subscribers and 85% prepaid subscribers. Cell C Service Provider has developed and manages a full range of distribution channels described below.

Cell C branded sales centres

In 2004, Cell C branded sales centres accounted for approximately 6% of prepaid sales and 25% of postpaid sales by Cell C Service Provider. We offer both sales and customer services through these outlets. As of May 31, 2005, we had a network of 58 active sales centres offering our services including our six directly owned and operated showrooms and full service centres. Our sales centres are conveniently located in highly visible locations, such as shopping malls, in areas including Johannesburg, Pretoria, Durban, Cape Town, Port Elizabeth, East London, Mpumalanga, Natal South and North Coasts and Bloomfontein. These stores are generally located in high traffic environments like major shopping malls. Our branding and advertising themes are incorporated into the design and layout of the sales centres to provide a unique buying environment for customers. The sales centres offer a full range of our product and service offerings, including handsets and accessories, and provide advice and a range of customer care services, with the goal of resolving as many customer enquiries as possible at the point of contact.

The sales centres (other than the six showrooms) are operated by independent third parties who enter into a franchise or exclusive dealership agreement with us. Under the terms of the franchise agreement, we provide the specifications and pay the cost of the refurbishment of the stores to meet our criteria. Typically, we also hold the lease for the property. All members of our staff undergo an intensive customer care and sales training program and are compensated with a salary and bonus structure that takes into account sales performance. Compensation for the sales centres also includes various incentives for customer service activities.

Independent dealers and wholesalers

In 2004, independent dealers and wholesalers accounted for approximately 26% of prepaid sales and 25% of postpaid sales by Cell C Service Provider. These channels consist of both exclusive and non-exclusive trading entities and play a key role in the distribution of our prepaid and postpaid services. Although most of the dealers and wholesalers distribute our services together with those of our competitors, they provide an important distribution channel because of their ability to attract existing postpaid mobile users to our network who tend to use more airtime and value-added services and thereby generate higher average revenues. Furthermore, these vendors have their store locations, which provide us with an opportunity to support them in the form of store build-out and branding in return for which we receive exclusive arrangements for the sales of our product. They often have presence where we do not have our own distribution and they often are staffed with experienced and knowledgeable sales people, which is not always the case in retail chains. Finally, the wholesalers play a key distribution role in the supply of prepaid product and airtime to the informal trader market which serves our lower market segment. We focus on, and invest in, the continuous strengthening of our relationship with this distribution channel through dedicated training and extensive advertising and marketing programs. Our current network of independent dealers and wholesalers comprise more than 150 stores and in excess of 5,000 sub-dealer/informal trader outlets across all the provinces in South Africa, providing a nationwide coverage.

Cell C counters in national retail chains

In 2004, national retail chains accounted for approximately 67% of prepaid sales and 19% of postpaid sales by Cell C Service Provider. They are a key channel for prepaid product and airtime in South Africa. Traditionally, the national retail chains operate on a footprint of 240 to 300 stores nationally, which provides us with instant national distribution. Retailers in general have a consumer credit offering for their customers which

accounts for in excess of 80% of all their handset sales. South Africans prefer to purchase on credit and, for those customers wishing to buy a new prepaid phone on credit, retail is the channel of choice.

Retail chains that offer a range of our products on a non-exclusive basis in more than 4,500 outlets nationwide include petrol stations, supermarkets and other large South African retail chains. We have been successful securing key retail chains that formerly had exclusive distribution arrangements with our competitors such as JD Group, OK Furniture, SA Post Office, Score, Engen, Caltex, Hi Fi Corporation, Pep Stores, Clicks, Massmart, Pick'n Pay and Lewis Stores. In addition, we have secured trading space in historically non-exclusive channels such as Woolworths, Shoprite, Checkers, Edgars, Jet, CNA and Sales House. We continue to increase the number of retail chains that offer our services.

In addition, our prepaid subscribers can "top-up" their cards at over 11,000 Automated Teller Machines (ATM) in networks controlled by Amka, ESP, Standard Bank, ABSA, Nedbank and First National Bank (FNB). ATM top-up provides our customers with convenient, 24 hour access to prepaid airtime. See also "—Virtual/ media channels".

Cell C Direct

Cell C Direct accounts for approximately 20% of postpaid sales by Cell C Service Provider. This distribution channel is designed specifically to offer postpaid contract services directly to our subscribers through a telesales call centre based in Cape Town, which fields sales calls stimulated by print, television, direct mail and internet marketing and delivers orders via courier. Due to its lower overhead costs, Cell C Direct is able to offer our services at competitive prices while providing personalised customer services through a state of the art technological system and a highly trained 12-member telesales team. We leverage the telesales and direct marketing systems and expertise of Cell C Direct to effectively mine existing customer or credit card databases of third parties, including certain of our retail trading partners—a capability unique to us. In addition, due to its effective telesales capability and fulfilment systems, Cell C Service Provider has entered into an agreement with Cell C Direct for the carrying out of contract renewal and phone upgrades for its postpaid customers.

Cell C Direct is an independent third party dealer channel that operates under the terms of an exclusive agreement with us. Under the terms of the agreement, Cell C Direct licences the "Cell C Direct" brand name from us and we provide them with exclusive rights to use direct response print advertising under the Cell C brand. Subscribers signed up by Cell C Direct belong to Cell C Service Provider customers and make their monthly payments to Cell C through a secure system using their credit card. Cell C Direct, under the standard dealer model, receives both upfront and ongoing commissions as well as an agreed level of marketing and advertising support. We have the option to acquire Cell C Direct and expect to exercise this option prior to the end of 2006.

Direct sales force

We currently have a corporate sales team comprising 27 representatives that target business clients and major accounts. Our sales teams operate from branches in Johannesburg, Durban, Port Elizabeth and Cape Town. We focus both on major corporate and government accounts—where we believe Cell C Service Provider has a distinct advantage by virtue of our BEE credentials—and on small- and medium-size enterprises, including individual professional service providers, who tend to use more airtime and yield higher average revenues. We provide our corporate sales team with regular training to enable them to effectively market and sell advanced value-added services, such as GPRS, telemetry, MMS and least cost routing that appeal to business clients. We designed the compensation system of our account managers to ensure the highest level of customer care for our business subscribers. Accordingly, our corporate sales team retains ongoing responsibility for customer care beyond the initial retention of the customer. We intend to enhance our customer service to business clients with a dedicated key account contact at our showroom customer care centres.

Virtual/media channels

We currently use our internet portal primarily as a marketing communications tool and to provide value-added services and prepaid airtime top-up. During 2005, we intend to further develop our web site as a virtual distribution channel in order to enhance our capacity to sign up new customers and to provide further opportunities for customer self-service. We also intend to introduce a mobile content portal for content sales through our web site and through WAP browser-enabled customer phones.

Indirect distribution channels

In addition to our direct channel, Cell C Service Provider, we have entered into agreements with select third party service providers to distribute our products. These third party or indirect channels are responsible for 27.5% of our sales to date.

As of March 31, 2005, we had two indirect service provider partners, Autopage Cellular and Nashua Mobile. These channels primarily distribute postpaid contract services on a non-exclusive basis through a network of 150 and 75 outlets, respectively, as well as through direct sales forces and telesales teams. Nashua Mobile primarily focuses on the business and corporate subscriber market, while Autopage Cellular focuses on the retail consumer postpaid subscriber market. Autopage's share of subscribers as of March 31, 2005 was 4% of prepaid and 23% of postpaid subscribers. Nashau Mobile subscribers accounted for 9% of postpaid subscribers.

Under the independent service provider agreements, the service provider is responsible for sales, customer care, credit management, payment collection and payment remittance to us for its customer base. We provide various incentives to the service provider channels including connection bonuses, terminal equipment subsidies, marketing support and a percentage of recurring revenues. In addition, the service provider is subject to clawback of a pro-rata percentage of the terminal subsidy should a postpaid subscriber cancel service prior to the end of the minimum contract period.

Established indirect channels such as Autopage Cellular and Nashua Mobile provide us with an important platform to establish and promote our brand and to obtain a share of their non-exclusive trading activity, including intra-service provider churn of competitor customers.

Distributor incentives

We offer bonuses and other incentives to our network of distributors in order to increase new subscriber numbers and the rate of retention of our existing customers. We pay a bonus to our distributors for each new subscriber they connect in the form of a one-time connection bonus. The amount of the bonus varies depending on the services purchased by the customer. We reward our distributors for customer loyalty by paying the distributor that connected a subscriber a commission on the ongoing revenues generated from that subscriber. In the case of prepaid subscribers, the connecting distributor and the airtime reseller share this airtime commission. In acquiring postpaid customers we pay a handset subsidy of up to 100% of the handset value to assist our distributors.

We also offer incentives to our distributors who demonstrate loyalty to us by their exclusivity or surpassing their targets. These incentives take the form of volume rebates, increased marketing support, sales incentives, rental assistance to branded sale centres during their start-up phase and assistance in respect of store build-out. These incentives are based on exclusivity and sales performance only and differ depending on the type of vendor.

Customer service

We aim to distinguish ourselves from our competitors through, among other things, high quality customer service. We invest in technology and human resources to achieve this goal. As of March 31, 2005, approximately 450 employees worked in our customer service departments.

We provide customer services through a variety of channels, including call centres, interactive voice response, e-mail, our web site and our walk-in sales and distribution channels. We have two 24 hour call centres, one located in Johannesburg and the other in KwaZulu-Natal. The call centre in KwaZulu-Natal is now our largest incoming call site, and has the benefit of a lower relative staffing cost to our Johannesburg call centre. We aim to maintain a ratio of one call centre representative to each 4,000 customers. Our call centres offer support in all 11 official languages in South Africa. We offer customer care voice menus in four different languages — English, Afrikaans, Zulu and South Sotho.

Through our sophisticated technology and customer support software, the details of our subscribers are displayed on the screen in front of the call centre representative as she answers the call. Our call centre representatives are trained regularly to enable them to assist customers in line with the latest developments of our network and services. In December 2004, we began the introduction of value based call routing in our call centres. Through value based routing, top customers are given preferred customer care service while lower value customers are given appropriate customer service including a higher degree of automated IVR-based self-service.

In December 2003, we launched our internet based customer self-support and help platform. The web site enables customers to view their bill and top-up their prepaid cards. It also allows us to process and resolve on-line customer enquiries in real time. On average, our internet customer support team answers 8,000 e-mails per month within a target of 12 hours. We continue to enhance the web self-service options available through our web site and IVR systems in order to provide customers enhanced service as well as to avoid unnecessary calls to our call centres.

With respect to walk-in customer service capability, we offer a full range of customer support in our six showrooms and provide a secondary level of walk-in service in the balance of our branded sales centres for matters such as contract renewals and phone upgrades, cell phone repairs and SIM swaps. By the end of 2005, this walk-in service will be available in all 125 sales outlets. In addition, we intend to offer mobile number portability in all postpaid channels.

Credit policy, billing, bad debt and disconnection

Cell C Service Provider has a sophisticated debtor management capability which it applies to both sales channels and postpaid customer management.

Channel partners are required to lodge bank guarantees if they wish to have a credit relationship with us and, after a trading history is established, are allowed trade credit equal to 150% of the guarantee amount. Deviations from this policy must be approved by our credit committee. The trading account balance is monitored against this credit limit and the account is put on hold or orders stopped if the balance exceeds the predefined limits. In addition to bank guarantees, credit risk with channels is further mitigated by the fact that we pay monthly commissions to channels which could be used to offset a trading account debt in the event of a default.

Consumer credit for postpaid customers is managed through a sophisticated process which begins with detailed credit vetting at the time the customer applies for service. Customer details and credit related information is evaluated against a credit scorecard developed by third party experts which takes into account subscriber details and credit information from independent South African credit bureaus. Based upon the credit score, a customer is qualified for different contract packages; too low a score results in disqualification for higher subscription postpaid packages.

Once an applicant is credit approved and granted a subscription, a credit limit is assigned to the account and monitored automatically by our billing systems. A balance in excess of the predefined limit is flagged for action by credit controllers who will contact the customer requesting payment and "hotline" the account if necessary—a process which prevents further call charges being incurred. In addition, and as a back-up, our independent fraud department monitors and traps excess usage of cell phones both domestically and for roaming subscribers.

Finally, our credit policy applies strict controls to the collection of payments from customers. First, the vast majority of customers are required to sign up for debit order payment on their account which greatly limits risks and delays associated with processing cash or check payments. Second, if a customer fails to pay on time, its account enters the credit control process wherein the customer is notified of the failure to pay and given a limited period to make the payment. If the customer fails to pay, the account is hotlined and the account enters the dunning process. During this process, the customer is contacted telephonically and by letter in a predefined collection path. Should the customer arrears reach 90 days, the account is turned over to a legal action team which can result in a judgement being made against the customer. Cell C Service Provider has experienced bad debt of approximately 3% of billings.

Vodacom Roaming Agreement

To provide full geographic coverage comparable to that of Vodacom and MTN, we entered into a long-term national roaming agreement with Vodacom in October 2001. This agreement was replaced with a new agreement with Vodacom, effective April 1, 2004. The roaming agreement enables us to offer the same coverage as Vodacom and provides full use of Vodacom's national network to 2016, co-extensive with the term of our licence, renewable thereafter. After the expiry of 15 years, either party may terminate the agreement upon two years written notice.

Vodacom's GSM operating licence is subject to renewal by ICASA in May 2009. If Vodacom's license is not renewed for the full period of our roaming agreement, our agreement will run for the period for which Vodacom's license is renewed. In addition, service levels are guaranteed at the same level provided to

Vodacom's own subscribers, allowing for upgrades to all future services offered by Vodacom, including 3G services. Furthermore, Vodacom will not provide similar roaming services to any third party on more favourable or commercially competitive terms without offering similar terms to us.

The terms of our new agreement with Vodacom offer reduced roaming charges with additional volume discounts. Pricing under our agreement with Vodacom is as follows:

Service	Rate
Circuit Switched Calls (excluding CST) (billed in seconds):	
Peak period[(1)]:	85.6c per minute
Off-peak[(2)]:	42.8c per minute
CST calls (billed in seconds)	Greater of 25c per minute or half net revenue[(3)]
SMS messages (peak and off-peak)	17c per minute
GPRS Data (peak and off-peak)	8.50 Mb (reduced to 26c on March 1, 2005, due to Vodacom price reductions)

(1) Peak period is Monday to Friday 07:00 – 20:00, excluding public holidays.
(2) Off-peak is all hours other than peak period hours.
(3) "net revenue" means retail tariff less VAT, less service provider commission, less interconnection charges paid.

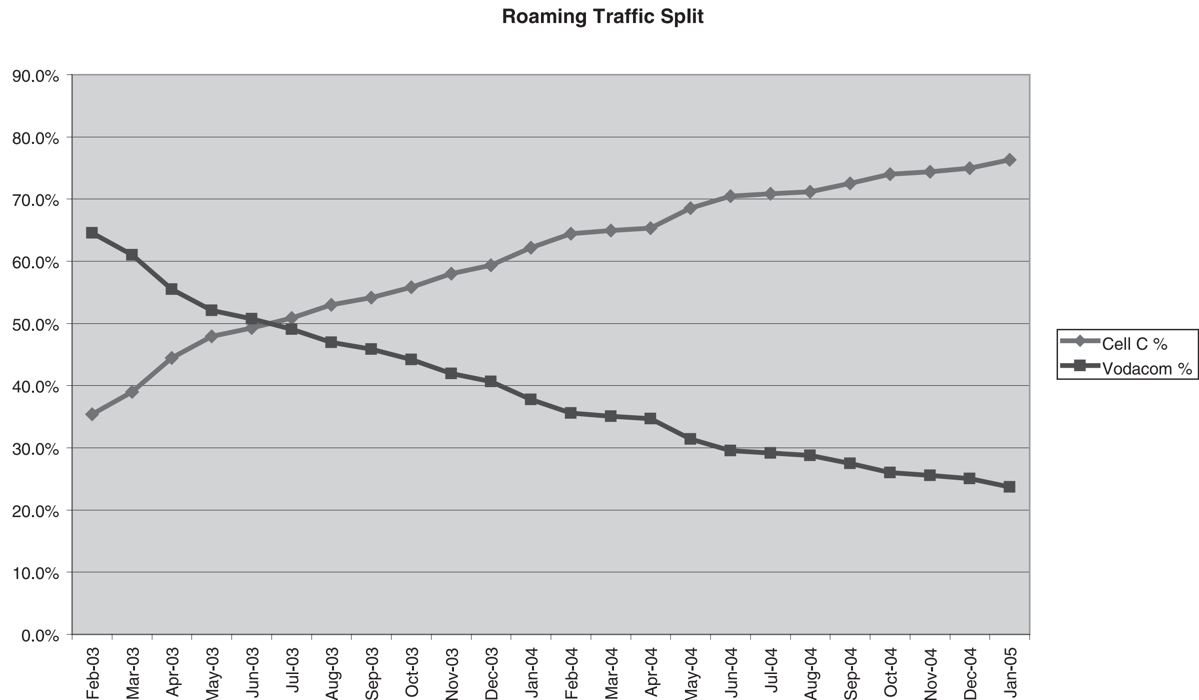
Our agreement with Vodacom also provides certain discounts, which include:

- a 20% discount on the above rates, excluding CST calls;
- a further 5% discount for usage fees above R25 million per month, excluding CST calls; and
- a 75% discount on calls to Cell C roamers originating on Vodacom community service telephones for the first year and 50% thereafter.

Under the terms of our agreement with Vodacom, the floor charge and usage fees may be escalated annually, but are capped at the South African CPI for the previous 12 months less 5%. Usage fees for circuit switched calls during the peak period are at all times subject to a cap equal to 50% of Vodacom's most popular business tariff plan for on-net calls. Usage fees for SMS messages are subject to a cap equal to the lowest of (i) SMS interconnect fees charged by Vodacom, (ii) 50% of the Vodacom business call peak SMS tariff and (iii) 75% of the Vodacom business call off-peak tariff. Usage fees for packet switched services are subject to a cap of 50% of Vodacom's most popular GPRS business call tariff.

In 2004, our minutes of use increased from 118 million minutes to 170 million minutes. Despite this, the minutes of use carried by Vodacom decreased through the year, from 81 million minutes in December 2003 to 57 million minutes in December 2004. This resulted from the steady decline in our roaming over Vodacom's network traffic through 2004, with 25.1% of our traffic carried by Vodacom in December 2004, as compared to 40.7% in December 2003. In March 2005, total minutes of use equaled 224.5 million, of which 77.2% were carried on our own network.

The table below shows the percentage of our traffic carried by Vodacom and ourselves measured by minutes of use.



Our Network

Overview

Our 15-year renewable national roaming agreement with Vodacom enabled us to achieve close to 95% population coverage since our launch. It has proven more economical to build base stations than to roam in areas of high population density and hence high traffic volume. South Africa's population density is concentrated in a few main areas—those in which we have experienced the most roaming traffic while roaming on Vodacom's network. Accordingly, we have built a standard GSM architecture dual band network covering all of these areas. Our network of over 2000 base stations allows us to carry 80% of our traffic on our own network and has also enabled us to surpass our final licence requirements of 60% population coverage and 8% geographic coverage two years before the required date. The final few hundred base stations that we deploy to complete our rollout plan will be used to fully optimise the balance of roaming versus our own network usage, taking our own traffic to approximately 85% of our total traffic.

This combination of national roaming and network build-out has enabled us to reduce our current and future capital expenditure requirements in comparison with those of our first three years. From our launch through March 31, 2005, we invested R2.8 billion in our network infrastructure. In the future, we will be leveraging our own network capacity and, for national coverage and overflow purposes, Vodacom's extensive network.

We now offer GPRS data services and MMS on our own network and, via roaming, nationally on Vodacom's network. We will also soon take advantage of our already EDGE-capable network to offer EDGE data services to our subscribers. Before the end of 2005, we will also offer 3G, principally by roaming on Vodacom's network, to our subscribers.

Network Infrastructure

As of March 31, 2005, our network consisted of 2,023 active base transceiver stations linked to 42 base station controllers. In addition, we had 184 active micro base transceiver stations offering dedicated coverage for network hotspots. The base station subsystem is controlled by five mobile switching centres. Our network also includes four home location registers, three visitor location registers, two short messaging service centres, three voice mail centres and two intelligent networks, or INs.

Base transceiver stations, mobile switching centres and base station controllers are interconnected by transmission links. We use leased lines provided by Telkom for these transmission links. In addition, our network

is interconnected directly through our mobile switching centres with the public switched telephone network operated by Telkom as well as with the GSM networks of Vodacom and MTN in several locations in South Africa. Our network is indirectly connected with the international networks through international gateway connections operated by Telkom and Sentech.

Network rollout

We have actively managed the rollout of our network based on our analysis of our own and our roaming subscriber call records and other information in order to optimise traffic flow, revenue generation and roaming exposure. We have expanded coverage, increased capacity and improved signal strength to meet demand, primarily in the densely populated areas of South Africa where traffic has been the highest. In addition, our network allows us to provide customers with additional value-added services in these high traffic areas. We continue to use Vodacom's coverage in rural areas of the country where traffic is relatively low.

Network Services

To support our strategy to provide our subscriber base with a wide variety of new products, services and applications, we have built our network using the latest available GSM technologies:

- GPRS. We have deployed GPRS in our network and have connected it with Vodacom's GPRS network to provide national GPRS services via roaming for our subscribers.
- IVR. IVRs carry services such as competition lines, school results, voting, promotions and other third party applications provided through WASPs.
- Voicemail Centre. In 2004, our voicemail infrastructure had the capacity to host in excess of 2.1 million subscriber mailboxes. Additional services launched in 2004 included Faxmail and Intelligent call-back for postpaid subscribers. Professional voicemail services is being launched in 2005.
- SMS Centre. Our two SMS centres cater to handset originated as well as application-originated (i.e., WASP) SMS traffic. SMS traffic reached 5.2 million messages in December 2004. In March 2005, SMS routing through Telkom was successfully tested, which will allow SMS messages to be sent to/received from Telkom telephones.
- MMS (Multimedia Messaging Service) Centre. MMS was successfully launched on our network in December 2004. In February 2005, MMS traffic reached approx. 200,000. New applications such as bulk MMS (WASP MMS) will be delivered in 2005, together with complex billing and discounting options.
- WAP (Wireless Application Protocol) Gateway. Our WAP gateway currently carries MMS traffic, and since May 2005, has also carried WAP traffic to our content portal, for both prepaid and postpaid subscribers. This will allow subscribers to browse our content portal, and download and purchase media such as pictures, ringtones and other audio, depending on their handset capability.
- USSD (Unstructured Supplementary Services) Gateway. USSD (short-dial) services in 2004 included Wireless Internet Gateway (WIG) Over-The-Air (OTA) requests (via WIG menu configuration), banking services with Teba Bank and the "please-call-me" service. In 2005, additional banking services were launched.
- Wireless internet gateway (WIG). We implemented WIG infrastructure into our network from the date of our commercial launch. We selected WIG as the default internet browser function of our network, mainly because our subscribers were able to access WIG-based applications and content with their old handsets. Wireless application protocol, or WAP, on the other hand would have required some of our subscribers to replace their old handsets with WAP-enabled phones that were more expensive.
- Postilion Secure Electronic Funds Transfer. Postilion is our access point (switch) to banks that provides for secure electronic funds transfer (EFT). It is currently used by our CSTs to conduct airtime recharges from banking accounts via WIG, and for ATM-based prepaid recharges. Postilion will also be used to host various mobile payment and mobile banking services in the near future.
- IN@Advantage. Due to the existing size of our prepaid subscriber base, we require additional prepaid capacity on our intelligent network platforms. We expect to introduce a next generation intelligent network platform, IN@Advantage, to our network in 2005 that will increase prepaid capacity and reduce the time it will take for us to introduce new services to prepaid customers in the future.

- Internet portal and content pricing and billing. Our web site is under continual development with new and interactive functionalities integrating new products, such as GPRS, MMS, WIG, content and customer self service. We will be launching an extensive multimedia portal as an extension to our website during 2005.

We seek to generate additional revenues from our current subscriber base and acquire new subscribers by offering them a wide variety of content based products, services and applications based on GSM technology. These products, services and applications are often developed and marketed by third party wireless application service providers, or WASPs, and other content providers in cooperation with mobile network operators. As part of this cooperation, network operators, including us, may agree to share with them revenues generated by the products, services and applications developed by such entities. Our billing systems have already been updated to support tracking of revenues of different products, services and applications for this purpose.

In addition, the characteristics of content based products, services and applications, such as the form in which they are delivered to customers, has required us to develop and implement new pricing structures that in turn must be supported by our billing systems. Accordingly, we have upgraded our billing and pricing management platforms to enable content based billing for such products, services and applications as they are being developed and introduced to the market.

Suppliers

Our network utilises standard equipment that is available from a limited number of suppliers, principally Siemens. Our major GSM infrastructure contractor is Siemens and its affiliates which have so far supplied all of our base transceiver stations, base station controllers, mobile switching centres, operation support systems and transmission systems equipment. In addition to the delivery of the equipment under the terms of the "turn-key" supply contract, Siemens was also responsible for procuring sites for our base stations, as well as for completing all engineering and construction work related to the rollout of our network. Commencing in 2004, Siemens became responsible only for the delivery of equipment. We assumed responsibility for all other aspects of the rollout of the network, including procurement of our base station sites. We continue to purchase certain network components from various other key suppliers. For example, Nokia supplied our multi-media service center. We believe that our network supplier price structure is competitive with industry standards.

Site procurement

Once we identify a new coverage area, our technical staff determines the optimal base station location and the required coverage characteristics. We then survey the area for possible antenna sites. In urban areas, typical sites are building rooftops. In rural areas, masts are usually constructed. Our technical staff also specifies the characteristics of the transmission network that will connect the base station to our network.

If the coverage area is serviced by one of the other mobile network operators and their site is technically equipped to host our antenna, we typically enter into a site sharing agreement with them. Site sharing agreements are common in South Africa due to the length of time typically required to obtain all the necessary permits to erect an antenna at a new site.

The erection of antennas require building permits from local and regional authorities, as well as a number of additional permits from governmental and regulatory authorities, including:

- erection and operating permits from the environmental authorities;
- permits from the aviation authorities; and
- permits from the Ministry of Defence.

In addition, as part of the deployment of new base stations we coordinate with Telkom to ensure that they can provide leased lines or other solutions to connect the base station with the mobile switching centre transmission network with the appropriate specification.

Network performance

Network performance through 2004 has shown a steady improvement as measured by our "call success rate," the ability to successfully initiate and hold a call to completion. The contributing factor in this improvement has been the steady improvement in the call setup success rate as a result of completing coverage in

metropolitan areas and thus removing areas of fringe coverage as well as targeting the cycle time for upgrades of congested sites. Although our call retention rate has shown a slight worsening it still remains above our target of 99% (1% dropped call rate).

Operations and maintenance

Our operations and maintenance centre collects and analyses data from the network switching system and the base station subsystem. With the help of this data, we are able to measure in real time the performance of the network against quality objectives and take action to remedy faults or correct improper parameter settings without delay. The primary functions of the operations and maintenance centre include:

- configuration management, providing the means to identify, control and exchange data with network elements;
- fault management, enabling the detection, isolation and correction of abnormal conditions;
- performance management, monitoring and displaying the performance of the managed elements based on traffic and quality measurements;
- security management, protecting the network and system from unauthorised access; and
- system administration, assigning system users and managing system backup and recovery.

We safeguard our networks against disaster by using, at various locations, backup transmission systems, backup system components, battery backups, generators and fire suppression systems. In addition, regional centers maintain replacement parts for critical components in the event of switching center or other system failures. We have also established an operational recovery plant that includes specific procedures and guidelines to address various incidents.

Spectrum allocation and number allocation

Spectrum availability is allocated by ICASA through a licensing process. Under the terms of our licence and subsequent allocations, we currently have the right to use the following spectrum throughout South Africa without any restriction:

GSM 1800	12MHz	60 ch	(701-760)	1748-1759.8/1843-1854.8MHz
P-GSM 900	1.4MHz	7 ch	(72-78)	904.4-905.6/949.4-950.6MHz
E-GSM 900	9.6MHz	48 ch	(975-1022)	880.2-889.6/925.2-934.6Mhz

GSM 1800 Allocation. The 1800 band of 374 channels has been divided up by ICASA into 6 equal parts as below. Each allocation is equal to 12.5MHz although at present we only have a licence to use 12MHz (60 channels). We were recently allocated a further nine channels (1.8MHz); previously we were allocated only 51 channels (10.2MHz).

P-GSM 900 Allocation. The P-GSM band of 124 channels is currently allocated between the three operators.

E-GSM 900 Allocation. The EGSM band of 49 channels is currently used exclusively by us. In 2004, we were allocated the remainder of the EGSM band; previously we were allocated only 34 channels.

We believe that the spectrum allocated to us provides us with sufficient bandwith to service present and projected future GSM subscribers.

We have been allocated the 084 and 074 range of numbers. We believe that this range is sufficient to service present and projected future GSM subscribers.

Interconnection

In order to ensure that our subscribers can make phone calls that terminate on, and receive phone calls that originate from, networks other than ours, our network must interconnect with those other networks. The interconnection of our network with Telkom's fixed line network is regulated by ICASA. Our interconnection arrangements with Vodacom's and MTN's networks are subject to the terms of commercial interconnection agreements. Our network is indirectly connected internationally through Telkom's and Sentech's international gateways. These international arrangements are subject to separate interconnection agreements.

Under the terms of our interconnection arrangements, we pay interconnection fees for calls made by our customers that terminate on other networks and receive interconnection fees for calls received by our subscribers that originate on other networks. Under the terms of our interconnection arrangements, we offset fees that we owe to other networks from the fees that they owe us and make payment to or receive payment of the net amount with respect to each network monthly.

The following table sets forth the interconnection fees as of March 31, 2005. For more information on our interconnection agreements, see "—Material Agreements" and "Regulation and Licence Requirements".

	As of March 31, 2005	
	Peak rates	**Off peak rates**
	(Rand)	
Cell C-to-fixed	—	—
Termination fee paid to fixed line	0.27	0.15
Fixed-to-Cell C	—	—
Termination fee paid to Cell C	1.25	0.77
Mobile-to-mobile	—	—
Termination fee paid	1.25	0.77
CST-to-fixed line		
Termination fee paid to fixed line	0.20	0.11
CST-to-mobile		
Termination fee paid	0.06	0.06

CST interconnect rates are set by our regulator, ICASA. These preferential rates extend to all CSTs deployed under licensing requirements.

Information technology

We depend upon a wide range of information technology systems to support our operations. As our subscriber base has grown, we have devoted significant resources to expanding and enhancing our information technology systems and adopting and implementing new systems, such as upgrading our billing system and streamlining our revenue collection systems, mobile number portability, GPRS and MMS launch, further developing of our commissions system, point of sale upgrades and proliferation of mobile services from third party mobile service providers.

Intellectual Property

We are the registered owners of the trademark "Cell C" in South Africa with respect to telecommunications-related devices and services, as well as the registered owners of the trademarks associated with our products and services. We have also registered our internet Web domain name, www.cellc.co.za.

Property

We lease our five principal properties. These are located in Sandton (two), Midrand, Cape Town and Durban.

Our leased head office is situated in Sandton (Marion Building) and consists of four buildings with a combined floor area of approximately 10,225 m². In addition to Marion, we share the nearby Esher Building, with a combined floor area of 8,544 m², with the Cell C Service Provider.

Our leased call centre operates from the Erand Gardens Building in Midrand, which also accommodates a network switch and other Cell C departments. Erand Gardens, with a total floor area of 5,796 m², is also our disaster recovery site.

We also lease regional offices across South Africa with a total floor area of 6,173 m² as well as our call centre in KwaZulu-Natal totalling 1,829 m². The floor area of the Warehouse totals 761 m² and the cell phone repair workshop 379 m².

The lease period for each of the Marion Buildings is five years, with the option of extension for an additional five years and a further five years thereafter. The lease period of each of the Esher Buildings and the call centre in KwaZulu-Natal is 12 years, with the option of extension for an additional three additional periods of five years each for Esher and 12 years for the call centre in KwaZulu-Natal. The general period of lease for the remaining buildings is five years with an optional five year extension.

We lease or site share all of our base station sites. At March 31, 2005, we operated 2,023 base stations. The term of the leases and site-sharing arrangements generally is nine years and eleven months, subject to renewal.

Employees

At March 31, 2005, we had 1,852 employees, of which 72% are permanent. Our employees are not subject to any collective bargaining agreements.

We have endeavoured to create a work force that mirrors our community of customers, with 77% of our employees coming from previously disadvantaged backgrounds and 43% of staff being female. Our recruitment efforts, leadership and talent development initiatives, recognition and rewards programs and our health and wellness programs reinforce our commitment to serving the community. The following table shows the composition of our staff as of March 31, 2005:

Staff	Employees	%
Expatriates	6	0.3%
Fixed term contractors	48	2.6%
Fixed term contract learnership	14	0.8%
Permanent employees	1,348	72.8%
Temporary employees: call centres	336	18.1%
Temporary employees: general	94	5.1%
Independent contractor	6	0.3%
Total	1,852	100%

Of the original 16 Oger Telecom employees seconded to us, eight remained as of March 31, 2005.

Legal Proceedings and Contingent Liabilities

We are involved in litigation arising in the normal course of our business. Management does not believe that any legal proceedings pending against us will, individually or in the aggregate, adversely harm our business.

MTN has filed a court application against ICASA seeking to set aside its approval of our CST rollout on the basis that certain administrative procedures were not properly followed. MTN has also disputed the approval of the location for certain of our CSTs as not constituting “under-serviced” areas. We were joined as a second respondent to the administrative proceeding and have filed a motion to dismiss MTN’s claim on the basis that the application is time barred.

We and MTN recently entered into discussions which we believe will result in the submission of the issues in dispute (which turn on the definition of an “under-serviced” area) to a court of competent jurisdiction for a declaratory judgment. There can be no assurance that MTN will agree to such a submission, and we cannot predict the outcome of the declaratory judgment proceedings. If MTN is successful in any of these proceedings, approval for the rollout of our CSTs may be set aside or a court may define “under-serviced” areas in a manner resulting in some of our existing CSTs no longer qualifying for preferential rates, each of which could have an adverse effect on our business, financial condition or results of operations.

Beginning in September 2004, MTN began withholding interconnect fees for our CSTs on the basis that we are not entitled to preferential interconnect rates. We have filed a claim against MTN for the interconnect fees that have been withheld by MTN. As a result of MTN’s failure to pay these amounts, we have withheld interconnect fees due to MTN. We have accrued for the liability that we believe is owed in terms of the interconnect agreement with MTN. As of December 31, 2004, the unprovided portion equals R130.7 million.

We have also been named as a defendant in an action brought by an association representing pay phone operators raising the same definitional issues as have been raised in the MTN proceeding regarding CSTs in under-serviced areas. The plaintiff in this action may stay the action pending the outcome of the declaratory judgment proceeding involving MTN. It is unclear whether the plaintiff has standing to bring its action. If the association is successful in its proceeding, it could have an adverse effect on our business, financial condition or results of operations.

Material Agreements

General

In addition to our national roaming agreement with Vodacom (discussed above), we have various other agreements which are central to both our business going forward and our ability to service our obligations under the notes. This section seeks to summarise the key terms of those agreements.

Vodacom Site Sharing Agreement

We entered into a site sharing agreement with Vodacom in December 2001. Under the terms of the agreement, Vodacom shares its base station sites located in the metropolitan areas and we share certain of our base station sites with Vodacom. The site sharing agreement was amended in October 2002, pursuant to which we agreed to (i) share base station sites located outside of the metropolitan areas, (ii) share base station sites located in a metropolitan area in which the other party does not have a similar site for a fee of R7,500 per month per base station and (iii) share base station sites located inside or outside metropolitan areas where sharing is not possible, but allowing the other party to elect to only share the mast located on such base station site for a mutually agreed upon price. Consideration for base stations outside metropolitan areas is as follows: R7,700 per month where there is an access road and R4,600 where there is no access road, including an escalation by 10% per year. There are no rental fees for base station sites inside metropolitan areas as fees and expenses are shared equally. All fees are subject to a 10% escalation per year. The agreement remains in effect for five years and will continue indefinitely thereafter unless with terminated by either party with one year's notice.

Telkom Interconnection Agreement

The Telkom Interconnection Agreement was entered into in August 2001 to facilitate connectivity for voice and data services between our and Telkom's PSTN. In addition, the agreement addresses billing for interconnection services and creation and maintenance of the technical interfaces required to support interconnection.

The fixed-to-mobile to interconnection rates for commercial calls were R1.23 per minute for peak hours (Monday to Friday from 07:00 to 20:00) and R0.73 per minute for off peak (all other hours). The mobile-to-fixed interconnection rates were R0.21 per minute for peak calls and R0.10 per minute for off peak calls. CST calls were provided at a discount of 25% to the applicable fixed to mobile interconnection rates. The fixed to mobile interconnection rates were subject to CPI increases. Effective January 1, 2005, the interconnection rates (Cell C-to-Telkom) are R0.27 per minute for peak and R0.15 per minute for off peak calls, and the fixed-to-mobile interconnection rates are R1.25 per minute for peak and R0.77 per minute for off peak calls.

Vodacom and MTN Interconnection Agreements

The Vodacom and MTN Interconnection Agreements were entered into in December 2001 and October 2001, respectively. They facilitate connectivity for voice and data services for our subscribers to the mobile networks of each of Vodacom and MTN. In addition, the agreements address billing for interconnection services and creation and maintenance of the technical interfaces required to support interconnection. Under the agreements, all calls will be treated no less favorably than a call originating on or terminating on the parties' own network.

The agreements address both commercial interconnection and interconnection with respect to CSTs. At the date of launch the commercial interconnection rates were R1.23 per minute for peak (Monday to Friday 07:00 to 20:00) and R0.73 per minute off-peak (all hours other than peak hours). For CST calls, the interconnection rate was R0.04 per minute for both peak and off peak hours. These interconnection rates were subject to CPI adjustments. Effective January 1, 2005, the commercial peak rate per call is R1.25 per minute and the off peak rate is R0.77 per minute. The CST call rate is R0.06 per minute for both peak and off peak hours.

Siemens Contracts

We entered into a contract with Siemens Telecommunications (Pty) Limited (South Africa) in June 2001. Siemens in turn entered into sub-contracts with its parent Siemens AG and its affiliate Siemens Mobile Communications S.p.A. Under these contracts, Siemens provided a complete dual band GSM network solution for us. Under the contract, Siemens delivered the network solution in three phases. As of May 2004, Siemens had delivered 1,753 base stations covering the main cities and national highways of South Africa, including (in

addition to Johannesburg) Cape Town, Durban, Port Elizabeth, Bloemfontein and East London. Siemens had the responsibility of sourcing suitable network sites and obtaining all necessary permits from the relevant local councils as part of its commitment to deliver a network solution. Following completion of this phase. Siemens has ongoing responsibility for equipment supply for the final phase of our network rollout.

Accenture Agreement

We entered into an agreement with Accenture (South Africa) (Proprietary) Limited in May 2001 relating, among other things, to the planning, design, installation, testing and commissioning of a total IT solution for us. This includes the acquisition of hardware, software and services and acceptance testing mechanisms, as well as post acceptance, future maintenance and support services. Under the terms of the contract, Accenture must ensure that current South African economic development and empowerment requirements are met in the execution of the contract.

REGULATION AND LICENCE REQUIREMENTS

Regulation

Overview

The Independent Communications Authority of South Africa, or ICASA, regulates the telecommunications sector in South Africa and is our principal regulator. We operate within South Africa primarily under the South African Telecommunications Act, 1996, as amended by the Telecommunications Amendment Act, 2001, or the Telecommunications Act.

The South African telecommunications market is in a state of gradual managed transition. The government's "managed liberalisation" process has, over a period of nine years since the 1996 enactment of the Telecommunications Act, paved the way for a more liberalised environment, particularly with respect to the domestic fixed line market. More changes are expected. A brief description of some of the pending legislative proposals are described below under "—Recent Legislative Changes and Proposals."

Regulatory Framework

ICASA was established in July 2000 under the terms of the Independent Communications Authority of South Africa Act, 2000. ICASA took over the functions of two previous regulators, the South African Telecommunications Regulatory Authority and the Independent Broadcasting Authority.

ICASA derives its mandate from four statutes: the ICASA Act, 2000; the Independent Broadcasting Act, 1993; the Broadcasting Act, 1999; and the Telecommunications Act.

ICASA is responsible primarily for:

- issuing licences to providers of telecommunication services and broadcasters;
- planning, controlling and managing the frequency spectrum;
- monitoring the telecommunications environment and enforcing compliance with rules, regulations and policies, as well as licence conditions;
- developing guidelines for interconnection, and authorising interconnection agreements when the interconnection regulations are promulgated;
- setting certain tariffs, namely those relating to CST retail rates and CST interconnection rates;
- hearing and deciding on disputes and complaints brought by the industry or members of the public against licencees; and
- protecting consumers from unfair business practices, poor quality services and harmful or inferior products.

Licences

There is a general prohibition against the provision of telecommunication services without a licence issued in accordance with the Telecommunications Act. The Telecommunications Act provides for the issuance of the following telecommunication licences:

Public Switched Telecommunications Services, or PSTS, Licenses (2 licencees). PSTS services are provided over the Public Switched Telecommunications Network, or PSTN. The elements of the PSTS include:

- a national long-distance telecommunication service;
- an international telecommunication service;
- local access telecommunication services;
- public pay-telephone services;
- maritime telecommunication services;
- fixed-mobile services;
- service comprising provision of telegrams;

- supply of telecommunications equipment installation, service, maintenance and repair of the PSTN; and
- any other service reasonably complementary to the foregoing.

Currently Telkom is the only licenced PSTS provider. The SNO is expected to be granted such a licence.

Mobile Cellular Telecommunications Services, or MCTS, Licences (3 licencees). MCTS licences are the licences issued to Vodacom, MTN and us, under which each of the three of us provide our respective mobile telecommunications services.

Value Added Network Services, or VANS, Licences (321 licencees, with five principal licencees). A VANS is defined in the Telecommunications Act as "a telecommunication service provided by a person over a telecommunication facility…to one or more customers of that person concurrently, during which value is added for the benefit of the customers." VANS providers are restricted to carrying data and, typically, provide internet services, EFT and/or virtual private network services to consumers and businesses. VANS providers are required to obtain telecommunications facilities from Telkom or the SNO.

Private Telecommunications Network, or PTN, Licences (43 licencees). A PTN is a telecommunications system provided by a person for purposes principally and integrally related to the operations of that person and which is installed on two or more separate, non-contiguous premises and where the switching systems (nodes) of at least two of these premises are interconnected to the PSTN.

A PTN operator typically does not require a telecommunication licence. Such an operator is also not required to be interconnected to the Telkom network or any other person providing a PSTN. Nevertheless, where the PTN is interconnected to Telkom or the SNO, the PTN operator is required to have a telecommunications licence.

A PTN is not restricted to carrying of voice only or data only and, therefore, a PTN may be utilised as a flexible telecommunications service by the PTN operator. The only critical restrictions are in respect of the use of telecommunication facilities other than those made available by Telkom or any other PSTN service provider. A PTN provided by means of a telecommunication system situated on a single piece or contiguous pieces of land owned by the same person is, however, not required to use Telkom's facilities.

Under-Serviced Area Licences, or USALs (7 licences). USALs are geographically limited licences issued in areas deemed to have a teledensity of under 5%. USALs may provide any telecommunication services including VoIP (internet telephony) services, fixed-mobile services and public payphone services. The Universal Services Agency, a statutory body with a mandate to promote universal access to telephone service and ultimately universal telephone service, has indicated that it will provide funding to operators of USALs. It is expected that licences will be granted to a total of 29 USALs.

Multimedia Licences (one licencee). Multimedia services typically include telecommunication services that integrate and synchronise various forms of media to communicate information or content in an interactive format, including services such as:

- internet through television;
- pay-per-view;
- video on demand;
- electronic transactions (including e-commerce);
- text;
- data;
- graphics;
- animation;
- audio; and
- visual content.

Multimedia services do not include mobile cellular telecommunication services and PSTS. The only multimedia licence is held by Sentech, the state-owned signal distributor.

Carrier of Carriers Licences (one licencee). A "carrier of carriers" means a telecommunication service (including any signal conveyed by means of a telecommunication system of that service) which:

- originates on the telecommunication system of a PSTS licencee, mobile cellular telecommunication licencee or a USAL licencee in South Africa and terminates on a telecommunication system in another country or vice versa; or
- originates and terminates in a telecommunication system of an operator licenced in another country to provide international services, but is conveyed via a telecommunication system in South Africa on a wholesale basis, but which specifically excludes the termination of international telecommunication services to end-users directly in South Africa.

Sentech holds the one "carrier of carriers" licence.

Mobile Data and Wireless Data Network Services Licences. Wireless Business Solutions is the only operator to hold a national licence for the provision of a mobile data telecommunications service. Swiftnet, in which Telkom has an interest, has been licenced to provide a wireless data telecommunications service as an extension of Telkom's Saponet-P network. This service is limited to x.25 interconnection. This category of licence is not specifically covered by the Telecommunications Act.

Spectrum Licences

Any licencee using spectrum must hold, in addition to its service licence, a spectrum licence. This licence is issued by ICASA.

The three mobile operators have been allocated both GSM 1800MHz and 900MHz spectrum for their MCTS licences. Wireless Business Solutions, a Mobile Date Network licencee, has been allocated the block between the uplink and downlink in the 1800MHz band, namely 1785MHz and 1805MHz.

None of the mobile operators or Telkom has been granted permanent access to the 3.5GHz (WiMAX) bands, although a test licence has been applied for by us. Mobile operators currently may use such frequencies only for backhaul.

Our Licences

We have two key operating licences granted by ICASA:

- a Mobile Telecommunication Service Licence, or operating licence, dated June 25, 2001; and
- a Frequency Spectrum Licence, or spectrum licence, dated August 3, 2001.

Operating Licence

The term of our operating licence is 15 years and is renewable. As consideration for the operating licence, we agreed to pay R100 million, payable in 12 equal annual instalments beginning November 2004, and a fee of 1% per annum of the audited licence fee income, or LFI. LFI is the total annual invoiced airtime revenue less discounts, VAT and other indirect taxes, derived from customers and end users and adjusted for interconnect fees or charges and bad debt incurred. It is first payable beginning in 2005, based on the 2004 LFI. In addition, we are required to post a number of performance guarantees with ICASA. The variable licence fee is subject to review after November 2006 and may be increased by ICASA to a percentage no higher than the percentage licence fee paid to similarly licenced operators, which is currently 5% of LFI. We cannot predict the amount, if any, to which our licence fee may increase after 2006. See "Risk Factors—We may be required to pay additional licence fees."

In order to transfer the licence to a third party, we need the prior written consent of ICASA in accordance with the relevant governing act (in this case, the Telecommunications Act). The operating licence also includes a specific requirement that historically disadvantaged persons must own at least 40% of our shares and must be entitled to appoint a proportionate number of people to our board. In connection with the Shareholder Restructuring, we have applied to ICASA to have these 40% thresholds reduced to 25%.

The operating licence authorises us to provide mobile telecommunication services within the frequencies allocated under the spectrum licence. The services to be provided include the full array of GSM services as well as ancillary services such as data services, information services, emergency services, messaging services and operator-assisted services. In addition to providing services on our own network, we are also licenced to provide international and national roaming services to our subscribers.

Under the operating licence, we are required to offer mobile telecommunications services according to local and internationally accepted technical standards. The operating licence imposes minimum quality of service standards in relation to network availability, call completion rates, grades of service and call quality. The conditions imposed on us are on par with international standards, and are subject to audit. We believe our network quality is within the required specifications.

We were also obligated to develop a customer service code of conduct that has been approved by ICASA. We must, insofar as is possible, interact with customers in their preferred official language and provide access to emergency services free of charge.

Under our operating licence, we committed to provide through our own network, at least 8% geographic coverage and 60% population coverage within five years of launch of commercial services, or November 2006, and through national roaming, 40% geographic coverage and 80% population coverage over the same time period. Our licence requires us to deploy 52,000 CSTs within seven years of launch of commercial services, or November 2008. If we fail to meet our rollout commitments under our licence, ICASA may impose a penalty not to exceed R50 million that bears the same proportion to R50 million as the geographic area not covered bears to the required percentage to be covered under the licence. We have provided ICASA with a performance guarantee to secure our commitments.

We are in litigation with MTN in respect of our CST interconnect rates. See "Business—Legal Proceedings and "Contingent Liabilities."

In addition, we have undertaken to spend at least R1.0 billion on economic development in South Africa and have developed a Joint Economic Development Plan with ICASA. We have spent in excess of this amount to date, and fulfilled our obligations under this plan.

Spectrum Licence

The bulk of our spectrum allocation is in the 1800MHz band (2x12MHz), and we also have 2x1.4MHz of PGSM 900 and 2x9.6MHz of EGSM 900 spectrum. The spectrum licence fee is a flat R5 million per annum plus R20,000 per 200KHz frequency pair.

Recent Legislative Changes and Proposals

Mobile Number Portability

Mobile number portability will enable a subscriber to switch among mobile phone operators while retaining its original mobile phone number. ICASA has published, but not yet promulgated, draft regulations for the introduction of mobile number portability. The statutory deadline for introduction of mobile number portability is the end of 2005 and we expect portability to be implemented no later than the first quarter of 2006.

The key features of the proposed mobile number portability framework are that porting times will be short, the porting subscriber does not have to pay for porting, although inter-operator charges may be levied, and subscribers will be required to contact only the new operator rather than having to deal with both the old operator as well as the new one.

The mobile operators have formed an inter-operator steering committee to address the mechanics for implementing mobile number portability, including the development of an ordering system specification (OSS) as required by ICASA; the preparation of a code of practice to be submitted to ICASA, and the management of external interface with service providers, Telkom and other interested parties, as required by regulation; inter-operator commercial issues such as interconnection and billing; network design; and the creation of a delivery vehicle for the management and operation of the central reference database.

Convergence Bill

The convergence legislative and policy-formulation process has been under discussion for the past two years. A draft Convergence Bill was tabled in March 2005 and is currently out for public comment. The Convergence Bill aims to promote convergence in the broadcasting and telecommunications sectors, and would replace the Telecommunications Act as well as two acts regulating broadcasting.

The bill contemplates individual licences and class licences, each for 25 years. The former would include communications network service licences, which would be held by Telkom, the SNO, and the three mobile operators, and new licencees, as well as radio frequency spectrum licences and broadcasting service licences, and the latter would include communications services licences and applications services licences. Companies would be awarded licences to offer certain services, such as mobile or fixed-line, but would be free to choose the technological means to deliver the services.

Communications services include:

- VANS
- Multi-channel distribution
- Carrier of carriers
- Common carrier services
- International telecommunications services
- Local access telecommunications services
- Mobile cellular telecommunications services
- Multimedia services
- National long-distance services
- PSTS

Communications network services would include:

- Broadcasting signal distribution
- A telecommunications facility
- A local exchange facility
- A telecommunications system
- A mobile cellular telecommunications network
- A PSTN
- A radio station

Existing licences would be converted into one or more licences under the new framework. Where an existing licence authorises the licencee to provide both services and operate facilities and networks, ICASA is to issue to that licencee one or more licences relating to the communications services or applications services, and separate licences relating to frequency spectrum and communications network services. The bill would seek to protect the existing rights of fixed-line and mobile operators, while opening the market to greater competition in some areas, particularly at the communications services licencee and application services licencee levels. In particular, the bill could potentially result in increased competition for mobile operators by allowing the entry of MVNOs with communications services licences.

It is also hoped that the bill would provide ICASA with greater independence from the government and greater financial self-sufficiency (through revenues from licences).

Regulation of Interception of Communications and Provision of Communication-Related Information Act, 2002

The Regulation of Interception of Communications and Provision of Communication Related Information Act, 2002 (“RICA”) was approved in 2002 but has not yet come into effect. RICA seeks to regulate the interception of certain communications and radio frequency spectrums and the provision of certain communication related information. RICA’s objectives include the prohibition of the provision of telecommunication services which do not have the capability to be intercepted, to provide for costs to be borne by telecommunications service providers and for the establishment of interception centres and the Office for Interception Centres. RICA requires telecommunications service providers to register their customers and maintain a database of such customers. This act may require us to obtain identification from prepaid subscribers which may have an adverse effect on demand for our services. We are prepared to conform to the requirements of the RICA as and when they enter into force.

MCTS licence conditions

Under the Telecommunications Act, the Minister must prescribe certain dates by which the liberalisation of the telecommunication sector will occur. These provisions of the Act provided the context for the Ministerial Policy Determinations of September 2004, which address:

- self-provisioning by mobile cellular telecommunication services (MCTS);
- provision of voice over any protocol by VANS;
- reselling of spare capacity by PTNs;
- choice of the provision of VANS;
- provision of public payphone services; and
- introduction of the E-rate (for educational institutions).

In order to give effect to the determinations, ICASA issued a number of draft regulations for public comment, as described below.

Facilities leasing draft regulations. These draft regulations are aimed at reviewing the facilities leasing framework in particular given the introduction of new players in the telecommunications sector. Hearings are still to be held on these regulations.

Interconnection draft regulations. These draft regulations were aimed at reviewing the interconnection framework in light of the introduction of new players in the telecommunications sector. Hearings are still to be held on these regulations.

Public payphone draft regulations. These draft regulations address the framework for the licensing of public payphone services. To date these regulations have not been finalised.

VANS draft regulations. These draft regulations were published for comment by ICASA at the end of 2004. They are highly contested and have to date not been finalised. The Minister, in a statement in February 2005, indicated that VANS may not self-provide their own telecommunications facilities, but must get these facilities from another licenced operator (e.g. mobile or fixed). We believe that VANS will only be able to provide value-added voice services and not vanilla voice services; VANS will still also not be able to interconnect with PSTN or MCTS licencees.

3G Licensing Framework. In addition to their 900MHz and 1800MHz licences, MTN and Vodacom hold 3G spectrum licences. We have a 3G test licence that will be effective June 2005, and we expect to be granted a 3G licence in due course. Each of MTN and Vodacom's 3G licences were granted subject to various community service obligations.

Telkom and the SNO are also entitled, under the Telecommunications Act, to access 3G frequency spectrum upon payment of a licence fee and obligations. The annual radio frequency spectrum licence fee for 3G is R5 million for national operators, R1 million for USALs, and R500,000 for other licencees. In addition, there is a fixed fee of R100,000 per MHz paired spectrum or R50,000 per MHz unpaired spectrum.

MANAGEMENT

Directors

Our company has a unitary board structure comprising two executive directors and six non-executive directors. The executive address of our directors is 150 Rivonia Road, Sandton, 2196, South Africa. The members of our board of directors are as follows:

Name	Age	Position	Year first appointed
Talaat Laham*†	56	Executive Director, Chairman and Chief Executive Officer	2000
Muhieddine Ghalayini*†	49	Executive Director and Chief Financial Officer	2000
Ayman Hariri	26	Non-Executive Director	2002
Abdulaziz Al Nowaiser	45	Non-Executive Director	2003
Paul Doany	49	Non-Executive Director	2002
Nhlanhla Kunene	51	Non-Executive Director	2003
Zwelakhe Mankazana*†	43	Non-Executive Director	1999
Ian Pierce*†	46	Non-Executive Director	1999

* Member of Audit Committee.

† Member of Renumeration Committee.

Executive directors

Talaat Laham has been serving as executive director, chairman of our board of directors and Chief Executive Officer since March 2000. Prior to this, Mr. Laham was the senior advisor to the Chief Executive Officer of Ogero, the acting fixed network operator in Lebanon. His key responsibilities included the entire re-engineering of the company and the establishment of an effective organisation with the systems and procedures necessary to ensure the smooth operations of the company. Mr. Laham also held the position of deputy general manager and chief representative of Oger Telkom Ltd from 1991 to 1993. Mr. Laham was also Managing Director of Building Material Trading Co. Ltd, a building supply company, between 1991 and 1993. Mr. Laham holds a BA in Mechanical Engineering from the University of Beirut.

Muhieddine Ghalayini has been serving as a board member, an executive director and our Chief Financial Officer since March 2000. He is also a board member of Cell C Service Provider. Mr. Ghalayini joined Saudi Oger in 1984, and previously held the position of senior financial advisor of Saudi Oger Limited from 1998 to 2000. Prior to this, Mr. Ghalayini was head of the Management Accounting Department of Saudi Oger Limited from 1991 to 1998. Mr. Ghalayini also served as financial director of Saudi Medical Services and the head of the Claims Department of the United Nations and worked at the external auditors of Touche Ross. Mr. Ghalayini holds a BA from the College of Financial Economics and Sciences in Lebanon and is a member of the Lebanese Association of Certified Public Accountants.

Non-executive directors

Ayman Hariri has served as a non-executive director since 2002. Mr. Hariri is president, chief executive officer, co-founder and chairman of Epok Inc. and principal owner of Ayman LLC, a private venture firm and think tank dedicated to the advancement of technology for the betterment of global communications. Mr. Hariri previously served as an engineer at the international satelite consortium, Intelsat. Mr. Hariri holds a degree in computer science from Georgetown University.

Abdulaziz Al Nowaiser has served as a non-executive director since April 2003 and also serves as a director of 3C Telecommunications and Oger Telkom. Dr. Al Nowaiser is also a director of Med-Gulf Insurance. Dr. Al Nowaiser serves as the Assistant General Manager for Research and Development at Saudi Oger Limited and Director General of Saudi Medical Services. Dr. Al Nowaiser holds a PhD in physics.

Paul Doany has served as non-executive director since June 2002. His previous position was that of managing director and director of telecommunications of an international consultancy of more than 4,000 staff. Through this position, Dr. Doany worked in several countries throughout the Middle East, Europe, Far East, USA, Africa and Central Asia, and managed a total of over six million fixed, mobile and satellite lines.

Nhlanhla Kunene has served as a non-executive director since April 2003 and also serves as a director of 3C Telecommunications and CellSAf. Mr. Kunene serves as the chief executive officer of Kunene Bros and Hldgs and is chairman of Grintek Group Ltd. and South African Communications Forum Business Committee. Mr. Kunene previously served as chairman of Aerospace Maritime and Defence Industries Association from 1999 to 2000. Mr. Kunene also serves on the board of the Engineering Council of South Africa and is an Honorary Colonel of the South African National Defence Force, 5 Signal Regiment.

Zwelakhe Mankazana has served as a non-executive director since June 1999 and also serves as a director of 3C Telecommunications and CellSAf. In addition, Mr. Mankazana is currently the chief executive officer of Ubambo Investment Holdings Limited and is a director of Telecommunication Investment Trust. Mr. Mankazana had the primary responsibility of leading Ubambo's drive into telecommunications and also played a leading role in promoting Ubambo's involvement as a shareholder in Emerald Safari Resort as well as 15 operating companies in the information communication technology, leisure and logistics sectors.

Ian Pierce has served as a non-executive director since June 1999. Mr. Pierce is a director of 3C Telecommunications, CellSAf and a director of Telecommunication Investment Trust, a partner in Pierce & Gampel and the financial director of FBS Holdings (Pty) Limited. In addition, Mr. Pierce is a board member of Lyons Financial Services Limited, World Africa Network Telecommunications (Pty) Limited and Parallel Media Group SA (Pty) Limited. Mr. Pierce is a qualified chartered accountant and spent part of his career in the United Kingdom.

Executive Committee and Senior Management

Our board of directors has delegated authority to run the day-to-day affairs of Cell C to an executive committee comprising the two executive directors and certain members of our senior management appointed by the executive directors. The executive committee meets regularly under the chairmanship of the chief executive officer and is mandated to assist in reviewing operations and performance by the Cell C group, developing strategy and policy proposals for consideration by the board of directors and implementing the directives of the board. Members of the executive committee are:

Name	Age	Position	Year first appointed
Talaat Laham	56	Chief Executive Officer	2000
Muhieddine Ghalayini	49	Chief Financial Officer	2000
Fred Coetzer	48	Chief Officer Operating Office	2004
Mafahle Mareletse	46	Managing Director, Cell C Service Provider	2005
James Courtney	41	Chief Commercial Officer	2004
Jonathan Newman	40	Advisor to the Chief Executive Officer	2002

For information on Talaat Laham and Muhieddine Ghalayini, see "—Directors."

Fred Coetzer has served as our Chief Operating Officer since January 2003. Responsible for the management of our entire network operation and Information Technology, Mr. Coetzer has had extensive experience in the cellular industry including being part of the team that worked on the business case study for network operator MTN. He has also held the positions of the Chief Executive Officer for Transtel Cellular, General Manager of AEG Daimler Benz, Director of Motorola and Technical Director at Oger Telecom. He holds an MSC degree in Engineering and has both a BCom and MBL degree. Mr. Coetzer is registered as a professional engineer. Additionally, he is also a member of the South African Institute for Electrical Engineers and a member of the International Organizational Development Association.

Mafahle Mareletse has served as the managing director of Cell C Service Provider since April 2005. As former executive director and general manager of retail of Airports Company of South Africa, the largest airports authority in Africa, which owns and operates South Africa's nine principal airports. Prior to that, Mr. Mareletse spent 13 years in the packaging goods industry, holding positions including Marketing Director at Duracell Inc. and senior board member at Unilever.

James Courtney has served as our Chief Commercial Officer since March 2004. With extensive experience in the telecommunications industry, Mr. Courtney is responsible for providing leadership in developing and executing commercial and marketing strategies. Prior to joining us, Mr. Courtney held a position of an advisor to the board of directors of Nexus Connection, the BEE shareholder in the upcoming second network operator. From 1995 to 1998, Mr. Courtney worked for MTN South Africa in various senior positions in the areas of

Service Provider, business development and information technology. He has also held senior management positions in mobile phone and fixed line operators in the United States, Colombia and Bulgaria. Mr. Courtney holds an MSc in Economics from the London School of Economics and an MBA from University of Chicago Graduate School of Business in the United States.

Jonathan Newman joined us in March 2002 as Strategy Executive and served in the role of Advisor to the Chief Executive Officer in November 2004. He was recruited out of the JSE listed information technology company, Datatec Ltd. where he held the title of Director, Marketing and Strategy. While with Datatec Ltd., Mr. Newman served on the boards of Datatec Ltd.'s South African subsidiaries including RangeGate, Affinity Logic, Destiny E-Commerce, Metropolis (now iAfrica.com) and Siltek. Prior to this, Mr. Newman spent three years working as a Project Manager and Consultant to British Aerospace in the UK. Mr. Newman's 17 year career in the local and international Information Technology industry has included roles in software development, project management, operations, marketing, general management, investor relations and business strategy. Mr. Newman is responsible for advising on our strategic direction, developing and managing our overall business model, advising on our departmental strategies, plans and operations, evaluating new investments and managing our investor relations. Mr. Newman has a BSc, from the University of Cape Town and BA Hons and MA degrees from Witswatersrand University and a postgraduate business diploma.

Directors of the Guarantors

The directors of Cell C Service Provider are Zwelakhe Mankazana, Talaat Laham, Muhieddine Ghalayini, Ian Pierce, Paul Doany, Stephan Bailey and Mafahle Mareletse.

The directors of Cell C Property Company are Zwelakhe Mankazana, Talaat Laham, Muhieddine Ghalayini, Ian Pierce and Paul Doany.

The executive address of the guarantors' directors is 150 Rivonia Road, Sandton, 2196, South Africa.

Compensation

For the fiscal year ended December 31, 2004, we paid our directors and senior management aggregate compensation, including bonuses, of R53 million.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Shareholder Loans from Saudi Oger and CellSAf

See "Description of Certain Other Indebtedness."

OTSA Secondment Agreement

We are a party to a secondment agreement, dated February 14, 2002, with Oger Telecom, which is renewable on an annual basis. This agreement addresses the secondment to us of various of our employees, including our Chief Executive Officer and Chief Financial Officer. Total costs to us under this agreement amounted to R43.8 million in 2003 and R31.8 million in 2004.

Shareholders Agreement

We are a party to a shareholders agreement, dated June 10, 1999, with Saudi Oger and CellSAf, which sets forth governance and certain other rights as between these two shareholders. This agreement would be amended to reflect the Shareholder Restructuring, if and when the Shareholder Restructuring becomes effective. See "Summary—Significant Shareholders; Shareholder Restructuring."

Other Transactions

In the ordinary course of business, as part of our BEE initiative, we procure goods and services and transact other business with entities in which CellSAf has a non-controlling interest. In addition, directors on our board and/or the board of 3C Telecommunications that are designated by CellSAf have non-controlling interests in various entities from which we procure goods and services or otherwise transact business. All of our transactions with these entities are on an arm's length basis.

DESCRIPTION OF CERTAIN OTHER INDEBTEDNESS

Saudi Oger liquidity facility

In 2003, we entered into an intercompany loan agreement, or SOLF, with Saudi Oger to refinance certain existing liquidity shareholder loans from Saudi Oger and to provide further liquidity during the rollout of our network and expansion of our business. In connection with this offering, we are revising the terms of the SOLF to create an amended subordinated liquidity facility, or the amended subordinated liquidity facility.

The amended subordinated liquidity facility will be a term and revolving credit facility, amounts drawn under which will bear interest at the rate of JIBAR plus 2.5%. Payments under the amended subordinated liquidity facility will be subordinated to our senior secured notes, the new revolving credit facility and senior subordinated notes. Under the terms of the senior subordinated indenture, this facility will be deemed a "Deeply Subordinated Shareholder Loan," and, as a result, the facility will have a maturity date of 2016 and interest will accrue and be capitalised on a quarterly, semi-annual or annual basis, at our option. The lender will not be entitled to repayment of principal or interest under the facility until the maturity date. However, we have the right to prepay borrowings under this facility at any time, subject to compliance with the restricted payments test under the senior subordinated indenture. See "Description of the Senior Subordinated Notes—Certain Covenants—Restricted Payments." Prepayments will be applied first to satisfy accrued interest, then principal.

New credit facility

We are in negotiations with a South African bank in respect of a R500.0 million three-year revolving credit facility. The following is based on negotiations to date: of the total amount, R100.0 million would be used to cover hedging obligations or to fund revolving loans. Interest on the new revolving credit facility would accrue at the rate of JIBAR plus 1.9% and would be payable every three or six months, or any other period agreed between us and the lender. The facility would contain certain limitations on indebtedness and disposals of assets, restrictions on mergers and material changes to our line of business and a negative pledge over all assets not pledged under this facility and the senior secured indenture. It also would contain certain financial maintenance covenants.

The new revolving credit facility would be secured by a pledge over our and our subsidiaries' network operator receivables and interconnect receivables. As of the end of January 2005, these receivables represented approximately 50.0% of our total receivables. To the extent the aggregate network operator and interconnect receivables pledged to secure obligations under this facility and the senior secured notes exceed R600.0 million for three consecutive months, we would be entitled to release categories of the receivables that are in excess of R600.0 million. In the event the holders of the senior secured notes enforce the first priority security interests, the senior secured notes and the new revolving credit facility would share in the proceeds of these first priority security interests pro rata to the extent of any shortfall in the security for the new revolving credit facility.

CellSAf term loan

In 2003, as part of its initial capitalisation of us, CellSAf extended a shareholder loan to us. We used the proceeds to provide liquidity during the rollout of our network and expansion of our business.

Amounts drawn under the CellSAf term loan bear interest at the rate of LIBOR plus 1.75%. Payments under the term loan will be subordinated to our senior secured notes, new revolving credit facility and senior subordinated notes. Under the terms of the senior subordinated indenture, this term loan, as amended, will be deemed a "Deeply Subordinated Shareholder Loan" and, as a result, the term loan will have a maturity date of 2016 and interest will accrue and be capitalised on a quarterly, semi-annual or annual basis, at our option. The lender will not be entitled to repayment of principal or interest on the term loan until the maturity date. However, we have the right to prepay amounts under the term loan at any time, subject to compliance with the restricted payments test under the senior subordinated indenture. Prepayments will be applied first to satisfy accrued interest, then principal.

Saudi Oger term loans

As part of its initial capitalisation in 2001 and 2002, Saudi Oger extended a shareholder loan to 3C Telecommunications, the proceeds of which were on-lent to us. In 2003, Saudi Oger extended further shareholder loans, directly to us. In connection with this offering, we amended the various loan agreements so as to conform the provisions to the definition of "Deeply Subordinated Shareholder Loan" under the senior subordinated

indenture. The lender will not be entitled to repayment of principal or interest on the term loan until the maturity date. However, we have the right to prepay amounts under the term loan at any time, subject to compliance with the restricted payments test under the senior subordinated indenture. Prepayments will be applied first to satisfy accrued interest, then principal.

Senior secured notes

Concurrently with the offering of the senior subordinated notes, we expect to complete the sale of €400 million aggregate principal amount of 8⅝% senior secured notes due 2012.

The senior secured notes are secured by liens on substantially all our assets, with the exception of a portion of our accounts receivable and rank senior in right of payment to all of our existing and future debt that is subordinated in right of payment to the senior secured notes, including the senior subordinated notes offered hereby. The interest rate on the senior secured notes is 8⅝% per annum, payable semiannually on each January 1 and July 1.

We may at our option redeem the senior secured notes in full or, from time to time, in part, together with accrued and unpaid interest, plus a premium on the principal amount to be redeemed.

In the event of a Change of Control (as defined in the indenture governing the senior secured notes), each holder of the senior secured notes shall have the option to require us to repurchase all (but not less than all) of such holder's senior secured notes then outstanding, at a repurchase price equal to 101% of the aggregate principal amount of the senior secured notes to be repurchased plus accrued and unpaid interest thereon to the date of such repurchase.

We have the option at any time to elect either (i) to be discharged from all of our obligations under the senior secured notes or (ii) to be discharged from our obligations with respect to certain covenants under the senior secured notes by, in either case, irrevocably depositing in trust for the benefit of the holders of the senior secured notes sufficient cash or specified securities to pay the principal of (and premium, if any) and interest on the outstanding senior secured notes on a timely basis, and by complying with certain other requirements.

The indenture governing the senior secured notes contains certain covenants that limit or restrict among other things: the incurrence of additional debt; the incurrence of liens; the sale of assets (and the use of the proceeds therefrom); and the making of certain restricted payments (including dividends and repayments of subordinated indebtedness) and investments.

DESCRIPTION OF THE SENIOR SUBORDINATED NOTES

In this "Description of the Senior Subordinated Notes", the word "Issuer" refers only to Cell C (Pty) Limited and not to any of its Subsidiaries, except for the purposes of financial data determined on a consolidated basis. In addition, the word "Guarantors" refers to Cell C Property Company (Pty) Limited and Cell C Service Provider Company (Pty) Limited and to any future Restricted Subsidiary that incurs a Guarantee. Each Guarantor is a direct wholly owned subsidiary of the Issuer and a Restricted Subsidiary. The words "Senior Subordinated Notes", unless the context requires otherwise, also refers to "book-entry interests" in the Senior Subordinated Notes, as defined herein. The definitions of certain other terms used in this description are set forth throughout the text or under "—Certain Definitions".

The Issuer will issue, and the Guarantors will guarantee, the senior subordinated notes offered hereby (the "Senior Subordinated Notes") under an indenture (the "Senior Subordinated Indenture") among the Issuer, the Guarantors and The Bank of New York, as trustee, among others. The terms of the Senior Subordinated Notes include those set forth in the Senior Subordinated Indenture and those made part of the Senior Subordinated Indenture by reference to the U.S. Trust Indenture Act of 1939 (the "Trust Indenture Act"). The Senior Subordinated Indenture is not, however, required to be nor will it be qualified under the Trust Indenture Act and will not incorporate by reference all of the provisions of the Trust Indenture Act.

The registered holder of a Senior Subordinated Note will be treated as its owner for all purposes. Only registered holders will have rights under the Senior Subordinated Indenture, including, without limitation, with respect to enforcement and the pursuit of other remedies. The Senior Subordinated Notes will not be registered under the U.S. Securities Act of 1933 (the "Securities Act") and will therefore be subject to certain transfer restrictions.

The following description is a summary of the material terms of the Senior Subordinated Indenture. It does not, however, restate the Senior Subordinated Indenture in its entirety and where reference is made to particular provisions of the Senior Subordinated Indenture, such provisions, including the definitions of certain terms, are qualified in their entirety by reference to all of the provisions of the Senior Subordinated Notes and the Senior Subordinated Indenture. You should read the Senior Subordinated Indenture because it contains additional information and because it and not this description defines your rights as a holder of the Senior Subordinated Notes. A copy of the form of the Senior Subordinated Indenture may be obtained by requesting it from the Issuer at the address indicated under "Where You Can Find More Information" or, if and so long as the Senior Subordinated Notes are listed on the EuroMTF (the "EuroMTF") and the rules of the EuroMTF so require, from the office of the specified paying agent in Luxembourg.

The Issuer has made an application to list the Senior Subordinated Notes on the EuroMTF. The Issuer can provide no assurance that this application will be accepted. If and so long as the Senior Subordinated Notes are listed on the EuroMTF, the Issuer will maintain a paying or transfer agent in Luxembourg. See "—Payments on the Senior Subordinated Notes; Paying Agent".

Brief Description of the Senior Subordinated Notes

The Senior Subordinated Notes will:

(a) be the Issuer's general unsecured obligations;

(b) mature on July 1, 2015;

(c) be subordinated in right of payment to all of the Issuer's existing and future Senior Debt, including its obligations under the Senior Secured Notes and the New Revolving Credit Facility;

(d) be senior in right of payment to the Deeply Subordinated Shareholder Loans; and

(e) be guaranteed on a senior subordinated basis by the Guarantors.

The Senior Subordinated Guarantees

Under the Senior Subordinated Indenture, the Guarantors have jointly and severally agreed to guarantee the due and punctual payment of all amounts payable under the Senior Subordinated Notes, including principal, premium, if any, and interest payable under the Senior Subordinated Notes.

The Senior Subordinated Indenture provides that any future Restricted Subsidiary will provide a Senior Subordinated Guarantee of the Senior Subordinated Notes immediately following its becoming a Restricted Subsidiary. So long as the Senior Subordinated Notes are listed on the EuroMTF and the rules and regulations of the EuroMTF so require, a supplement to this prospectus will be provided to the EuroMTF containing additional information regarding such new Guarantor.

The obligations of each Guarantor under its Senior Subordinated Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by such Guarantor by law or without resulting in its obligations under its Senior Subordinated Guarantee being voidable or unenforceable under applicable laws relating to fraudulent transfer, or under similar laws affecting the rights of creditors generally. Each Guarantor that makes a payment or distribution under its Senior Subordinated Guarantee will be entitled to contribution from any other Guarantor.

All of the Senior Subordinated Guarantees will be released upon Legal Defeasance, as described in "—Legal Defeasance or Covenant Defeasance of Senior Subordinated Indenture". In addition, the Senior Subordinated Guarantee of any Guarantor and those of any of such Guarantor's Subsidiaries may be released on the enforcement of the pledge over the Capital Stock of such Guarantor granted by the borrower and the guarantors under a Credit Facility and upon certain other conditions, as described below in "—Ranking of the Senior Subordinated Notes and the Guarantees; Subordination".

Ranking of the Senior Subordinated Notes and the Senior Subordinated Guarantees; Subordination

The Senior Subordinated Notes

The Senior Subordinated Notes will:

(a) be the Issuer's general unsecured obligations;

(b) be subordinated in right of payment to all of the Issuer's existing and future Senior Debt, including its obligations under the Senior Secured Notes and the New Revolving Credit Facility;

(c) be effectively subordinated to all existing and future secured indebtedness of the Issuer to the extent of the assets securing such indebtedness;

(d) rank equal in right of payment with all of the Issuer's existing and future unsecured indebtedness that is not subordinated (and is not senior) in right of payment to the Senior Subordinated Notes;

(e) rank senior in right of payment to any and all of the Issuer's existing and future indebtedness that is subordinated in right of payment to the Senior Subordinated Notes, including the Deeply Subordinated Shareholder Loans;

(f) be structurally subordinated to all of the Subsidiaries' existing and future indebtedness, other than to the extent of the Senior Subordinated Guarantees; and

(g) be subject to the restrictions on enforcement described below.

The Senior Subordinated Guarantees

Each Senior Subordinated Guarantee will:

(a) be a general unsecured obligation of the Guarantor that granted such Senior Subordinated Guarantee;

(b) be subordinated in right of payment to the payment of such Guarantor's existing and future Senior Debt, including its obligations under the guarantees securing the Senior Secured Notes and the New Revolving Credit Facility;

(c) be effectively subordinated to all existing and future secured indebtedness of such Guarantor to the extent of the assets securing such indebtedness;

(d) rank equal in right of payment with any and all of such Guarantor's existing and future unsecured indebtedness that is not subordinated (and is not senior) in right of payment to its Senior Subordinated Guarantee;

(e) rank senior in right of payment to any and all of such Guarantor's existing and future indebtedness that is subordinated in right of payment to its Senior Subordinated Guarantee; and

(f) be subject to the restrictions on enforcement described below.

As of March 31, 2005, on a pro forma basis after giving effect to the offering of the Senior Subordinated Notes and the Senior Secured Notes and the application of the proceeds thereof as described under "Use of Proceeds", and after excluding intercompany balances and intercompany guarantees:

(a) on an unconsolidated basis, the Issuer would have had (i) total Senior Debt of €403.7 million, of which €400.0 would have been secured and (ii) total Pari Passu Debt of €225.0 million, all of which would have been represented by the Senior Subordinated Notes; and

(b) on a combined basis, the Guarantors would have had total Senior Debt of €400.0 million, all of which would have been secured, and total Pari Passu Debt of €225.0 million, all of which would have been represented by the Senior Subordinated Guarantees.

In addition, the Issuer would have had €410.0 million of shareholder loans, which are not treated as Debt for purposes of the Senior Subordinated Indenture.

Although the Senior Subordinated Indenture contains limitations on the amount of additional Debt that the Issuer, the Guarantors and the Restricted Subsidiaries may incur, the amount of such additional Debt could be substantial.

As a result of the enforcement standstills, payment blockage provisions and other subordination provisions described below, holders of Senior Subordinated Notes may recover less, ratably, in the event of an insolvency, bankruptcy, liquidation or reorganization of the Issuer or a Guarantor than other creditors of the Issuer or such Guarantor, including trade creditors.

Enforcement Standstills

The Senior Subordinated Indenture will prohibit the holders of the Senior Subordinated Notes and the trustee from taking any Enforcement Action against the Issuer or a Guarantor without the prior consent of the applicable Senior Agent unless:

(a) certain insolvency or reorganization events have occurred in relation to the Issuer or such Guarantor; or

(b) the holders of Designated Senior Debt have taken any Enforcement Action in relation to the Issuer or such Guarantor; or

(c) a Default has occurred under the Senior Subordinated Notes; and

(i) the trustee has notified the applicable Senior Agent; and

(ii) a period of not less than 179 days has passed from the date the applicable Senior Agent was notified of the default (a "Standstill Period"); and

(iii) at the end of the Standstill Period, the Default is continuing and has not been waived by the holders of the Senior Subordinated Notes or the trustee.

Payment Blockage Provisions

The Senior Subordinated Indenture also will provide that the Issuer may not make any payment in respect of the Senior Subordinated Notes and that a Guarantor may not make any payment in respect of its Senior Subordinated Guarantee (except in each case in Permitted Junior Securities or from the trust, if any, described under "—Legal Defeasance or Covenant Defeasance of Senior Subordinated Indenture") if:

(a) a payment default on Designated Senior Debt of the Issuer or such Guarantor has occurred and is continuing beyond any applicable grace period; or

(b) any other default occurs and is continuing on any Designated Senior Debt of the Issuer or such Guarantor that permits the holders of such Designated Senior Debt to accelerate its maturity and the trustee receives a notice of such default (a "Payment Blockage Notice") from the Issuer or the holders of such Designated Senior Debt.

Payments on the Senior Subordinated Notes or on any such Senior Subordinated Guarantee of a Guarantor may and will be resumed:

(i) in the case of a payment default, when such default is cured or waived; or

(ii) in the case of a non-payment default, upon the earlier of the date on which such non-payment default is cured or waived and 179 days after the date on which the applicable Payment Blockage Notice is received, unless the maturity of any Designated Senior Debt has been accelerated.

No new Payment Blockage Notice may be delivered unless and until (x) 360 days have elapsed since the delivery of the immediately prior Payment Blockage Notice and (y) all scheduled payments of principal, premium, if any, and interest on the Senior Subordinated Notes that have come due have been paid in full in cash.

No non-payment default that existed or was continuing on the date of delivery of a Payment Blockage Notice to the trustee will be, or be made, the basis for a subsequent Payment Blockage Notice.

Notwithstanding the existence or duration of any Standstill Period or Payment Blockage Notice, the Guarantors will nevertheless be entitled to pay and the trustee shall be entitled to receive and retain amounts which are for its own account of expenses, fees, costs or by way of indemnity or remuneration pursuant to the Senior Subordinated Indenture.

Release of the Senior Subordinated Guarantees

The Senior Subordinated Guarantee of a Guarantor and any Senior Subordinated Guarantees of its Subsidiaries will be automatically and unconditionally released in the event that all of the Capital Stock of such Guarantor is sold pursuant to an enforcement of any security over the Capital Stock of such Guarantor under the applicable security agreements securing the obligations of the senior lenders under the Credit Facilities, immediately upon such sale unless such sale is to such senior lenders, in which case such Senior Subordinated Guarantees will be automatically and unconditionally released only in the event that such senior lenders subsequently sell the Capital Stock of such Guarantor, provided that, in either case:

(a) such Guarantor is simultaneously, irrevocably and unconditionally released (and such obligations are not assumed by the buyer or an affiliate of the buyer) from all claims with respect to its obligations in respect of the Credit Facilities and any Subordinated Debt and the trustee receives written notice of this fact; and

(b) an internationally recognized investment bank, accountancy firm, financial advisory firm or expert valuation firm selected by a representative of such senior lenders has delivered to the trustee an opinion that the sale price of the Capital Stock or assets of the Guarantor is fair from a financial point of view after taking into account all relevant circumstances including, without limitation, the method of enforcement; and

(c) the sale has been made in compliance with all applicable laws.

In addition, the Senior Subordinated Guarantee of a Guarantor will be released:

(i) in connection with any other sale or disposition of all or substantially all of the assets of such Guarantor (including by way of merger or consolidation) to a Person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary, if the sale or other disposition does not violate the covenant set forth under the heading "—Certain Covenants—Limitation on Sale of Certain Assets";

(ii) in connection with any other sale or other disposition of all of the Capital Stock of such Guarantor to a Person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary, if the sale or other disposition does not violate the covenant set forth under the heading "—Certain Covenants—Limitation on Sale of Certain Assets";

(iii) if the Issuer designates any Restricted Subsidiary that is a Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Senior Subordinated Indenture;

(iv) upon legal defeasance or satisfaction and discharge of the Senior Subordinated Indenture as provided below under the captions "—Legal Defeasance or Covenant Defeasance of Senior Subordinated Indenture" and "—Satisfaction and Discharge"; or

(v) in the case of Cell C Property (Pty) Company, upon its dissolution.

See "—Certain Covenants—Limitation on Sale of Certain Assets".

In all cases such Guarantors that are to be released from their Senior Subordinated Guarantees shall (or the Issuer in their place may) deliver to the trustee an Officer's Certificate and an opinion of counsel certifying compliance with the foregoing provisions. The trustee shall take all necessary actions to effectuate any release in accordance with these provisions, subject to customary protections and indemnifications.

Turnover prior to Insolvency

If the trustee or any holder of Senior Subordinated Notes receives a payment in respect of the Senior Subordinated Notes or the Senior Subordinated Guarantees (except in each case Permitted Junior Securities or from the trust, if any, described under "—Legal Defeasance or Covenant Defeasance of Senior Subordinated Indenture") when:

(a) the payment is prohibited by the provisions of the Senior Subordinated Indenture described in this "—Ranking of the Senior Subordinated Notes and the Senior Subordinated Guarantees; Subordination" section; and

(b) the trustee or the holder has actual knowledge that payment is so prohibited and, in the case of the trustee, it has not, prior to receiving such actual knowledge, distributed or otherwise paid that payment to the holders in accordance with the provisions of the Senior Subordinated Indenture,

then the trustee or such holder will hold the payment on trust for the benefit of the holders of the relevant Senior Debt and, upon the proper written request of the holders of the relevant Senior Debt, the trustee or such holder will deliver the amounts in trust to the Senior Agent or any other proper representative of the holders of the relevant Senior Debt.

Subordination on Insolvency

The Senior Subordinated Indenture will provide that, in the event of any distribution to the creditors of the Issuer or a Guarantor:

(a) in a liquidation or dissolution of the Issuer or such Guarantor;

(b) in an insolvency, bankruptcy, reorganization, composition, receivership, administration, voluntary arrangement or similar proceeding relating to the Issuer, such Guarantor or their respective properties;

(c) in an assignment for the benefit of the creditors of the Issuer or such Guarantor; or

(d) in any marshalling of the Issuer or such Guarantor's assets and liabilities,

the holders of Senior Debt of the Issuer or such Guarantor will be entitled to receive payment in full in cash of all obligations in respect of such Senior Debt (including interest after the commencement of any proceeding at the rate specified in the applicable Senior Debt whether or not allowed or allowable in any such proceeding) before the holders of Senior Subordinated Notes will be entitled to receive any payment with respect to the Senior Subordinated Notes or the Senior Subordinated Guarantee of such Guarantor (except that holders of Senior Subordinated Notes may receive and retain Permitted Junior Securities and payments made from the trust, if any, described under "—Legal Defeasance or Covenant Defeasance of Senior Subordinated Indenture").

Intercreditor Deeds

The Senior Subordinated Indenture will provide that the Issuer, each Guarantor and the trustee will be authorized (without any further consent of the holders of the Senior Subordinated Notes) to enter into an intercreditor agreement or deed in favor of the holders of Designated Senior Debt of the Issuer or the Guarantors to give effect to the provisions of the Senior Subordinated Indenture described in this "—Ranking of the Senior Subordinated Notes and the Senior Subordinated Guarantees; Subordination" section. The Senior Subordinated Indenture shall provide that such provisions shall constitute a continuing offer to all persons who become holders of, or continue to hold, Senior Debt, and such provisions are made for the benefit of the holders of Senior Debt and such holders will be obligees under the Senior Subordinated Indenture and any one or more of them may enforce such provisions.

The Senior Subordinated Indenture will provide that, except under very limited circumstances, only the trustee will have standing to bring an Enforcement Action in respect of the Senior Subordinated Notes, the Senior Subordinated Guarantees and the Issuer's covenant to make payments on the Senior Subordinated Notes. Moreover, during any period in which an Enforcement Action is not permitted, the trustee will be precluded from commencing any insolvency or similar proceeding in respect of the Issuer or the Guarantors. The Senior Subordinated Indenture will restrict your rights as a holder of the Senior Subordinated Notes to initiate insolvency proceedings or take other legal actions against the Issuer or a Guarantor, and by accepting any Senior Subordinated Note you will be deemed to have agreed to these restrictions. As a result of these restrictions, holders of the Senior Subordinated Notes will have limited remedies and recourse in the event of a default by the Issuer or a Guarantor.

The Senior Subordinated Indenture will also provide that each holder of a Senior Subordinated Note, by accepting such Senior Subordinated Note, will be deemed to have:

(a) appointed and authorized the trustee to give effect to such provisions;

(b) authorized the trustee to become a party to any future intercreditor arrangements described above;

(c) agreed to be bound by such provisions and the provisions of any future intercreditor arrangements described above; and

(d) irrevocably appointed the trustee to act on its behalf to enter into and comply with such provisions and the provisions of any future intercreditor arrangements described above.

Principal, Maturity and Interest

The Senior Subordinated Notes will mature on July 1, 2015 unless redeemed prior thereto as described herein. The Issuer will issue the Senior Subordinated Notes in the aggregate principal amount of $270.0 million. Subject to the covenant described under "—Certain Covenants—Limitation on Debt", the Issuer is permitted to issue additional Senior Subordinated Notes under the Senior Subordinated Indenture ("Additional Senior Subordinated Notes") from time to time. The Senior Subordinated Notes and any Additional Senior Subordinated Notes that are issued will be treated as a single class for all purposes of the Senior Subordinated Indenture, including those with respect to waivers, amendments, redemptions and offers to purchase. Unless the context otherwise requires, references to the "Senior Subordinated Notes" for all purposes of the Senior Subordinated Indenture and in this "Description of the Senior Subordinated Notes" include references to any Additional Senior Subordinated Notes that are issued.

Each Senior Subordinated Note will bear interest at the rate per annum shown on the cover page of this prospectus semi-annually from the date of the Senior Subordinated Indenture (July 13, 2005) or from the most recent interest payment date to which interest has been paid or provided for, whichever is later. Interest will be payable on each Senior Subordinated Note on January 1 and July 1 of each year, commencing on January 1, 2006. Interest will be payable to holders of record on each Senior Subordinated Note in respect of the principal amount thereof outstanding as of the immediately preceding December 15 or June 15, as the case may be. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months and will be paid on overdue principal and other overdue amounts at the same rate.

Form of Senior Subordinated Notes

The Senior Subordinated Notes will be issued on the date of the Senior Subordinated Indenture (July 13, 2005) only in fully registered form without coupons and only in denominations of $1,000 and any integral multiple thereof.

The Senior Subordinated Notes will be initially in the form of one or more global Senior Subordinated Notes (the "Global Senior Subordinated Notes"). The Global Senior Subordinated Notes will be deposited with, and registered in the name of, a common depositary for Euroclear and Clearstream Banking or a nominee of such common depositary. Ownership of interests in the Global Senior Subordinated Notes, referred to in this description as "book-entry interests", will be limited to persons that have accounts with Euroclear or Clearstream Banking or their respective participants. The terms of the Senior Subordinated Indenture will provide for the issuance of definitive registered Senior Subordinated Notes in certain circumstances. See "Book-Entry; Delivery and Form".

Transfer

The Senior Subordinated Notes will be subject to certain restrictions on transfer and certification requirements, as described under "Notice to Investors".

All transfers of book-entry interests between participants in DTC, Euroclear or Clearstream Banking will be effected by DTC, Euroclear or Clearstream Banking pursuant to customary procedures and subject to applicable rules and procedures established by Euroclear or Clearstream Banking and their respective participants. See "Book-Entry; Delivery and Form".

Payments on the Senior Subordinated Notes; Paying Agent

The Issuer will make all payments, including principal of, premium, if any, and interest on the Senior Subordinated Notes, at its office or through an agent in London, England that it will maintain for these purposes. Initially, that agent will be the corporate trust office of the trustee. In addition, so long as the Senior Subordinated Notes are listed on the EuroMTF, the Issuer will maintain a paying agent in Luxembourg and may also make such payments at the offices of the paying agent in Luxembourg. The Bank of New York (Luxembourg) S.A. will initially act as paying agent in Luxembourg. The Issuer may change the paying agent without prior notice to the holders of the Senior Subordinated Notes. The Issuer or any of its Subsidiaries may act as paying agent in connection with the Senior Subordinated Notes other than for the purposes of effecting a redemption described under "—Optional Redemption" or an offer to purchase the Senior Subordinated Notes described under either of "—Purchase of Senior Subordinated Notes upon a Change of Control" and "—Certain Covenants—Limitation on Sale of Certain Assets". In addition, the Issuer will undertake to maintain a paying agent in a member state of the European Union that is not obligated to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 or any law implementing or complying with, or introduced in order to conform to, such directive. The Issuer will make all payments in same-day funds. Payments on the Global Senior Subordinated Notes will be made to the common depositary as the registered holder of the Global Senior Subordinated Notes.

No service charge will be made for any registration of transfer, exchange or redemption of the Senior Subordinated Notes, but the Issuer may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection with any such registration of transfer or exchange.

Additional Amounts

All payments that the Issuer or Surviving Entity makes under or with respect to the Senior Subordinated Notes or that the Guarantors make under or with respect to the Senior Subordinated Guarantees will be made free and clear of, and without withholding or deduction for or on account of, any present or future tax, duty, levy,

impost, assessment or other governmental charges (including, without limitation, penalties, interest and other similar liabilities related thereto) of whatever nature (collectively, "Taxes") imposed or levied by or on behalf of any jurisdiction in which the Issuer, any Guarantor or any Surviving Entity is incorporated, organized or otherwise resident for tax purposes, any jurisdiction from or through which any of the foregoing makes a payment on the Senior Subordinated Notes or any political subdivision or governmental authority of or in any of the foregoing having the power to tax (each, a "Relevant Taxing Jurisdiction"), unless the withholding or deduction of such Taxes is required by law or by the interpretation or administration of law. If the Issuer, a Guarantor or a Surviving Entity is required to withhold or deduct any amount for, or on account of, Taxes imposed or levied on behalf of a Relevant Taxing Jurisdiction from any payment made under or with respect to the Senior Subordinated Notes, the Issuer or the Guarantor or a Surviving Entity, as the case may be, will pay additional amounts ("Additional Amounts") as may be necessary to ensure that the net amount received by each holder or beneficial owner of the Senior Subordinated Notes (including Additional Amounts) after such withholding or deduction will be not less than the amount the holder or beneficial owner would have received if such Taxes had not been required to be withheld or deducted.

Neither the Issuer nor any Guarantor or a Surviving Entity will, however, pay Additional Amounts to a holder or beneficial owner of Senior Subordinated Notes in respect or on account of:

(a) any Taxes that are imposed or levied by a Relevant Taxing Jurisdiction by reason of the holder's or beneficial owner's present or former connection with such Relevant Taxing Jurisdiction (other than the mere receipt or holding of Senior Subordinated Notes or by reason of the receipt of payments thereunder or the exercise or enforcement of rights under any Senior Subordinated Notes, the Senior Subordinated Indenture, or any Senior Subordinated Guarantee);

(b) any Taxes that are imposed or withheld by reason of the failure of the holder or beneficial owner of Senior Subordinated Notes, following the Issuer's written request addressed to the holder or beneficial owner or otherwise provided to the holder or beneficial owner (and made at a time that would enable the holder or beneficial owner acting reasonably to comply with that request), to provide certification, information, documents or other evidence concerning the nationality, residence or identity of the holder or such beneficial owner or to make any valid or timely declaration or similar claim or satisfy any other reporting requirement, relating to such matters, whether required by statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction, as a precondition to exemption from, or reduction in the rate of withholding or deduction of, Taxes imposed by the Relevant Taxing Jurisdiction;

(c) any estate, inheritance, gift, sales, excise, transfer, personal property or similar Taxes;

(d) any Taxes which are payable otherwise than by withholding or deduction from payments made under or with respect to the Senior Subordinated Notes;

(e) any Taxes that are imposed or levied by reason of the presentation (where presentation is required in order to receive payment) of such Senior Subordinated Notes for payment on a date more than 30 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later, except to the extent that the beneficial owner or holder thereof would have been entitled to Additional Amounts had the Senior Subordinated Notes been presented for payment on any date during such 30 day period;

(f) any withholding or deduction in respect of any Taxes where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such directive; or

(g) any Taxes that are imposed on or with respect to a Senior Subordinated Note presented by or on behalf of a holder or beneficial owner who would have been able to avoid such withholding or deduction by presenting the relevant Senior Subordinated Notes to another paying agent in a member state of the European Union.

The Issuer or the Guarantors, or a Surviving Entity, as the case may be will (i) make such withholding or deduction as is required by applicable law and (ii) remit the full amount withheld or deducted to the relevant taxing authority in accordance with applicable law.

At least 30 calendar days prior to each date on which any payment under or with respect to the Senior Subordinated Notes is due and payable, if the Issuer or the Guarantors, or a Surviving Entity will be obligated to

pay Additional Amounts with respect to such payment (unless such obligation to pay Additional Amounts arises after the 30th day prior to the date on which payment under or with respect to the Senior Subordinated Notes is due and payable, in which case it will be promptly thereafter), the Issuer will deliver to the trustee an Officer's Certificate stating that such Additional Amounts will be payable and the amounts so payable. The trustee shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary. The Issuer, Guarantor, or Surviving Entity will provide the trustee with documentation reasonably satisfactory to the trustee evidencing payment of Additional Amounts. The Issuer will promptly publish a notice in accordance with the provisions set forth in "—Notices" stating that such Additional Amounts will be payable and describing the obligation to pay such amounts.

Upon request, the Issuer or the Guarantors, or a Surviving Entity will furnish to the trustee or a holder within a reasonable time certified copies of tax receipts evidencing the payment by the Issuer or the Guarantors, or a Surviving Entity of any Taxes imposed or levied by a Relevant Taxing Jurisdiction, in such form as provided in the normal course by the taxing authority imposing such Taxes and as is reasonably available to the Issuer or the Guarantors, or a Surviving Entity. If notwithstanding the efforts of the Issuer or the Guarantors, or a Surviving Entity to obtain such receipts, the same are not obtainable, the Issuer or the Guarantors, or a Surviving Entity will provide the trustee or holder other evidence reasonably satisfactory to the trustee or holder of such payments by the Issuer or the Guarantors, or a Surviving Entity.

The Senior Subordinated Indenture will further provide that if the Issuer or Guarantors, or a Surviving Entity conduct business in any jurisdiction (an "Additional Taxing Jurisdiction") other than a Relevant Taxing Jurisdiction and, as a result, is required by the law of such Additional Taxing Jurisdiction to withhold or deduct any amount on account of the Taxes imposed by such Additional Taxing Jurisdiction from payment under the Senior Subordinated Notes or any Senior Subordinated Guarantee, as the case may be, which would not have been required to be so withheld or deducted but for such conduct of business in such Additional Taxing Jurisdiction, the Additional Amounts provision described above shall be considered to apply as if references in such provision to "Taxes" included taxes imposed by way of withholding or deduction by any such Additional Taxing Jurisdiction (or any political subdivision thereof or therein).

In addition, the Issuer or the Guarantors, or a Surviving Entity will pay (i) any present or future stamp, issue, registration, court, documentation, excise or property taxes or other similar taxes, charges and duties, including interest and penalties with respect thereto, imposed by or in any Relevant Taxing Jurisdiction in respect of the execution, issue, delivery or registration of the Senior Subordinated Notes, Senior Subordinated Indenture, Senior Subordinated Guarantee or any other document or instrument referred to thereunder and any such taxes, charges, duties or similar levies imposed by any jurisdiction as a result of, or in connection with, the enforcement of the Senior Subordinated Notes, Senior Subordinated Guarantee or any other such document or instrument following the occurrence of any Event of Default with respect to the Senior Subordinated Notes, or (ii) any stamp, court, or documentary taxes (or similar charges or levies) imposed with respect to the receipt of any payments with respect to the Senior Subordinated Notes or the Senior Subordinated Guarantees.

The preceding provisions will survive any termination, defeasance or discharge of the Senior Subordinated Indenture and shall apply *mutatis mutandis* to any jurisdiction in which any successor person to the Issuer is organized, incorporated or otherwise resident for tax purposes and any political subdivision or taxing authority or agency thereof or therein.

Whenever the Senior Subordinated Indenture or this "Description of the Senior Subordinated Notes" refers to, in any context, the payment of principal, premium, if any, interest or any other amount payable under or with respect to any Senior Subordinated Note (including payments thereof made pursuant to any Senior Subordinated Guarantee), such reference includes the payment of Additional Amounts, if applicable.

Currency Indemnity

The U.S. dollar is the sole currency of account and payment for all sums payable under the Senior Subordinated Notes, the Senior Subordinated Guarantees and the Senior Subordinated Indenture. Any amount received or recovered in respect of the Senior Subordinated Notes or the Senior Subordinated Guarantees in a currency other than U.S. dollar (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding up or dissolution of the Issuer, any Subsidiary or otherwise) by a holder of the Senior Subordinated Notes in respect of any sum expressed to be due to such holder from the Issuer or the Guarantors will constitute a discharge of such obligation only to the extent of the U.S. dollar amount which the recipient is able to purchase with the amount so received or recovered in such other currency on the date of that

receipt or recovery (or, if it is not possible to purchase U.S. dollars on that date, on the first date on which it is possible to do so). If the U.S. dollar amount that could be recovered following such a purchase is less than the U.S. dollar amount expressed to be due to the recipient under any Senior Subordinated Note, the Issuer and the Guarantors will jointly and severally indemnify the recipient against the cost of the recipient's making a further purchase of U.S. dollars in an amount equal to such difference. For the purposes of this paragraph, it will be sufficient for the holder to certify that it would have suffered a loss had the actual purchase of U.S. dollars been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of U.S. dollars on that date had not been possible, on the first date on which it would have been possible). These indemnities, to the extent permitted by law:

(a) constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations;

(b) give rise to a separate and independent cause of action;

(c) apply irrespective of any waiver granted by any holder of a Senior Subordinated Note; and

(d) will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Senior Subordinated Note or any other judgment or order.

Optional Redemption

Optional Redemption prior to July 1, 2008 upon Public Equity Offering

At any time prior to July 1, 2008, upon not less than 30 nor more than 60 days' notice, the Issuer may on any one or more occasions redeem up to 35% of the aggregate principal amount of Senior Subordinated Notes at a redemption price of 111.0% of their principal amount, plus accrued and unpaid interest, if any, to the redemption date, with the net proceeds from one or more Public Equity Offerings. The Issuer may only do this, however, if:

(a) at least 65% of the aggregate principal amount of Senior Subordinated Notes that were initially issued would remain outstanding immediately after the proposed redemption; and

(b) the redemption occurs within 120 days after the closing of such Public Equity Offering.

Optional Redemption prior to July 1, 2010

At any time prior to July 1, 2010, upon not less than 30 nor more than 60 days' notice, the Issuer may also redeem all or part of the Senior Subordinated Notes at a redemption price equal to 100% of the principal amount thereof plus the Applicable Redemption Premium and accrued and unpaid interest to the redemption date.

"Applicable Redemption Premium" means, with respect to any Senior Subordinated Note on any redemption date, the greater of:

(a) 1.0% of the principal amount of the Senior Subordinated Note; and

(b) the excess of:

(i) the present value at such redemption date of (x) the redemption price of such Senior Subordinated Note at July 1, 2010 (such redemption price being set forth in the table appearing below under the caption "Optional Redemption—Optional Redemption on or after July 1, 2010") plus (y) all required interest payments that would otherwise be due to be paid on such Senior Subordinated Note during the period between the redemption date and July 1, 2010 (excluding accrued but unpaid interest), computed using a discount rate equal to the Treasury Rate at such redemption date plus 50 basis points; over

(ii) the outstanding principal amount of the Senior Subordinated Note.

Optional Redemption on or after July 1, 2010

At any time on or after July 1, 2010 upon not less than 30 nor more than 60 days' notice, the Issuer may redeem all or part of the Senior Subordinated Notes. These redemptions will be in amounts of $1,000 or integral multiples thereof at the following redemption prices (expressed as percentages of their principal amount

at maturity), plus accrued and unpaid interest, if any, to the redemption date, if redeemed during the 12-month period commencing on July 1 of the years set forth below.

Year	Redemption Price
2010	105.50%
2011	102.75%
2012 and thereafter	100.00%

Redemption Upon Changes in Withholding Taxes

The Issuer may, at its option, redeem the Senior Subordinated Notes, as a whole but not in part, at any time upon giving not less than 30 nor more than 60 days' notice to the holders (which notice shall be given in accordance with the procedures described in "—Notices"), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest thereon, if any, to the redemption date, premium, if any, and all Additional Amounts, if any, then due and which will become due on the date of redemption as a result of the redemption or otherwise, if the Issuer determines in good faith that the Issuer, any Guarantor or any Surviving Entity is, or on the next date on which any amount would be payable in respect of the Senior Subordinated Notes would be obligated to pay Additional Amounts (as defined above under "—Additional Amounts") which are more than a *de minimis* amount in respect of the Senior Subordinated Notes pursuant to the terms and conditions thereof, which the Issuer, Guarantor or Surviving Entity, as the case may be, cannot avoid by the use of reasonable measures available to it, including making payment through a paying agent located in another jurisdiction, as a result of:

(a) any change in, or amendment to, the laws or treaties (or any regulations or rulings promulgated thereunder) of any Relevant Taxing Jurisdiction (as defined above under "—Additional Amounts") affecting taxation which becomes effective on or after the date of the Senior Subordinated Indenture, or, if the Relevant Taxing Jurisdiction has changed since the date of the Senior Subordinated Indenture, the date on which the then current Relevant Taxing Jurisdiction became the Relevant Taxing Jurisdiction under the Senior Subordinated Indenture (or, in the case of a successor person, after the date of assumption by the successor person of the Issuer's obligations hereunder); or

(b) any change in the official application, administration, or interpretation of the laws, treaties, regulations or rulings of any Relevant Taxing Jurisdiction, (including a holding, judgment, or order by a court of competent jurisdiction), on or after the date of the Senior Subordinated Indenture or, if the Relevant Taxing Jurisdiction has changed since the date of the Indenture, the date on which the then current Relevant Taxing Jurisdiction became the Relevant Taxing Jurisdiction under the Senior Subordinated Indenture (or, in the case of a successor person, after the date of assumption by the successor person of the Issuer's obligations hereunder), (each of the foregoing clauses (a) and (b), a "Change in Tax Law").

Notwithstanding the foregoing, the Issuer may not redeem the Senior Subordinated Notes under this provision if the Relevant Taxing Jurisdiction changes under the Senior Subordinated Indenture and the Issuer is obligated to pay Additional Amounts as a result of a Change in Tax Law of the then current Relevant Taxing Jurisdiction which, at the time the latter became the Relevant Taxing Jurisdiction under the Senior Subordinated Indenture, was publicly announced as being or having been formally proposed.

In the case of a Guarantor that becomes a party to the Senior Subordinated Indenture after the Issue Date or a successor person, the Change in Tax Law must become effective after the date that such entity (or another person organized or resident in the same jurisdiction) first makes a payment on the Senior Subordinated Notes. In the case of Additional Amounts required to be paid as a result of an Issuer conducting business in an Additional Taxing Jurisdiction (as defined above), the Change in Tax Law must become effective after the date the Issuer begins to conduct the business giving rise to the relevant withholding or deduction.

Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on with the Issuer, Guarantor, or any Surviving Entity, would be obliged to make such payment of Additional Amounts or withholding if a payment in respect of the Senior Subordinated Notes or Senior Subordinated Guarantee, as the case may be, were then due and (b) unless at the time such notice is given, the obligations to pay Additional Amounts remains in effect.

Prior to the publication or where relevant, mailing of any notice of redemption pursuant to the foregoing, the Issuer will deliver to the trustee:

(a) an Officer's Certificate stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing the conditions precedent to the right of the Issuer so to redeem have occurred

(including that such obligation to pay such Additional Amounts cannot be avoided by the Issuer, Guarantor or Surviving Entity taking reasonable measures available to it); and

(b) an opinion of independent tax counsel of recognized standing qualified under the laws of the Relevant Taxing Jurisdiction and reasonably satisfactory to the trustee to the effect that the Issuer, Guarantor, or any Surviving Entity, as the case may be, is or would be obligated to pay such Additional Amounts as a result of a Change in Tax Law.

The trustee will accept such Officer's Certificate and opinion as sufficient evidence of the existence of satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders.

Notice of Optional Redemption

The Issuer will publish a notice of any optional redemption of the Senior Subordinated Notes described above in accordance with the provisions of the Senior Subordinated Indenture described under "—Notices". If the Senior Subordinated Notes are listed at such time on the EuroMTF, the Issuer will inform the EuroMTF of the principal amount of the Senior Subordinated Notes that have not been redeemed in connection with any optional redemption. If fewer than all the Senior Subordinated Notes are to be redeemed at any time, the trustee will select the Senior Subordinated Notes by a method that complies with the requirements, as certified to the trustee by the Issuer, of the principal securities exchange, if any, on which the Senior Subordinated Notes are listed at such time or, if the Senior Subordinated Notes are not listed on a securities exchange, pro rata, by lot or by such other method as the trustee in its sole discretion shall deem fair and appropriate; provided that no such partial redemption shall reduce the portion of the principal amount of a Senior Subordinated Note not redeemed to less than $1,000. The trustee will not be liable for selections made by it in accordance with this paragraph.

Mandatory Redemption; Offers to Purchase; Open Market Purchases

The Issuer is not required to make any mandatory redemption or sinking fund payments with respect to the Senior Subordinated Notes. However, under certain circumstances, the Issuer may be required to offer to purchase the Senior Subordinated Notes as described under the captions "—Purchase of Senior Subordinated Notes upon a Change of Control" and "—Certain Covenants—Limitation on Sale of Certain Assets". The Issuer and the Restricted Subsidiaries may at any time and from time to time purchase Senior Subordinated Notes in the open market or otherwise.

Purchase of Senior Subordinated Notes upon a Change of Control

If a Change of Control occurs at any time, then the Issuer must make an offer (a "Change of Control Offer") to each holder of Senior Subordinated Notes to purchase such holder's Senior Subordinated Notes, in whole or in part, in integral multiples of $1,000 at a purchase price (the "Change of Control Purchase Price") in cash in an amount equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase (the "Change of Control Purchase Date").

Within 30 days following any Change of Control, the Issuer will:

(a) cause a notice of the Change of Control Offer to be made available to the newswire service of Bloomberg, or if Bloomberg does not then operate, any similar agency; and if at the time of such notice the Senior Subordinated Notes are listed on the EuroMTF and the rules of the EuroMTF so require, published in the *d'Wort* (or another leading newspaper having a general circulation in Luxembourg); and

(b) send notice of the Change of Control Offer by first class mail, with a copy to the trustee, to each holder of Senior Subordinated Notes to the address of such holder appearing in the security register, which notice will state:

(i) that a Change of Control has occurred and the date it occurred;

(ii) the circumstances and relevant facts regarding such Change of Control (including, but not limited to, applicable information with respect to pro forma historical income, cash flow and capitalization after giving effect to the Change of Control);

(iii) the Change of Control Purchase Price and the Change of Control Purchase Date, which will be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed, or such later date as is necessary to comply with requirements under the Exchange Act and any applicable securities laws or regulations;

(iv) that any Senior Subordinated Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest after the Change of Control Purchase Date unless the Change of Control Purchase Price is not paid;

(v) that any Senior Subordinated Note or part thereof not tendered will continue to accrue interest; and

(vi) any other procedures that a holder of Senior Subordinated Notes must follow to accept a Change of Control Offer or to withdraw such acceptance (which procedures may also be performed at the office of the paying agent in Luxembourg as long as the Senior Subordinated Notes are listed on the EuroMTF and the rules of such exchange so require).

The trustee will promptly authenticate and deliver a new Senior Subordinated Note or Senior Subordinated Notes equal in principal amount to any unpurchased portion of Senior Subordinated Notes surrendered, if any, to the holder of Senior Subordinated Notes in global form or to each holder of certificated Senior Subordinated Notes; provided that each such new Senior Subordinated Note will be in a principal amount of $1,000 or an integral multiple thereof. The Issuer will publicly announce the results of a Change of Control Offer on or as soon as practicable after the Change of Control Purchase Date.

The Issuer will not be required to make a Change of Control Offer if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Senior Subordinated Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Senior Subordinated Notes validly tendered and not withdrawn under such Change of Control Offer.

In addition, the Issuer will not be required to make a Change of Control Offer in respect of a Change of Control if a third party has made, and not terminated, a tender offer for all of the Senior Subordinated Notes with respect to such Change of Control in the manner applicable to a Change of Control Offer, at a tender offer purchase price in cash equal to at least 101% of the principal amount thereof on the date of purchase, plus accrued and unpaid interest, if any, and such third party purchases all Senior Subordinated Notes validly tendered and not withdrawn under such tender offer.

The Issuer and the Guarantors will comply with the applicable tender offer rules, including Rule 14e-l under the Exchange Act, and any other applicable securities laws and regulations in connection with a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Senior Subordinated Indenture, the Issuer and the Guarantors will comply with such applicable securities laws and regulations and will not be deemed to have breached their obligations under the Senior Subordinated Indenture by virtue of such conflict.

A Change of Control would require the Issuer to make a change of control offer to holders of Senior Secured Notes. In addition, the occurrence of certain events that would constitute a Change of Control could constitute a default under the Credit Facilities. The Issuer's future indebtedness and that of its Subsidiaries may also contain descriptions of certain events that, if they occurred, would require such indebtedness to be repurchased. In addition, the exercise by the holders of the Senior Subordinated Notes of their right to require a repurchase of the Senior Subordinated Notes upon a Change of Control could cause a default under the Credit Facilities and any such future indebtedness, even if the Change of Control itself does not, due to the possible financial effect on the Issuer or the Guarantors of such repurchase.

The provisions of the Senior Subordinated Indenture will not give holders the right to require the repurchase of the Senior Subordinated Notes in the event of certain transactions including a reorganization, restructuring, merger or similar transaction, that may adversely affect holders of the Senior Subordinated Notes, if such transaction is not a transaction defined as a Change of Control. Any such transaction, however, would have to comply with the applicable provisions of the Senior Subordinated Indenture, including those described under "—Certain Covenants—Limitation on Debt". However, the right of a holder of the Senior Subordinated Notes to require the Issuer to repurchase such holder's Senior Subordinated Notes upon a Change of Control may deter a third party from acquiring the Issuer or any of its Subsidiaries if such acquisition would constitute a Change of Control.

If a Change of Control Offer is made, the Issuer will not be able to provide any assurance that it will have available funds sufficient to pay the Change of Control Purchase Price for all the Senior Subordinated Notes that might be delivered by holders of the Senior Subordinated Notes seeking to accept the Change of Control Offer. Even if sufficient funds were available, the terms of the other indebtedness of the Issuer and its Subsidiaries may prohibit the repurchase of the Senior Subordinated Notes and the Senior Secured Notes prior to their scheduled

maturity. If the Issuer were not able to prepay any indebtedness containing any such restrictions, or obtain requisite consents, the Issuer would be unable to fulfill its repurchase obligations to holders of Senior Subordinated Notes who accept the Change of Control Offer. If a Change of Control Offer were not made or consummated or the Change of Control Purchase Price were not paid when due, such failure would result in an Event of Default and, subject to the limitations described above under "—Ranking of the Senior Subordinated Notes and the Guarantees; Subordination", would give the trustee and the holders of the Senior Subordinated Notes the rights described under "—Events of Default". An Event of Default under the Senior Subordinated Indenture, unless waived, would result in a cross default under certain of the financing arrangements described under "Description of Other Indebtedness".

The definition of "Change of Control" includes a disposition of all or substantially all of the assets of the Issuer and the Restricted Subsidiaries, considered as a whole, to any Person. Although there is a limited body of case law interpreting the phrase "substantially all", there is no precise established definition of such phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the assets of the Issuer and the Restricted Subsidiaries. As a result, it may be unclear as to whether a Change of Control has occurred and whether a holder of Senior Subordinated Notes may require the Issuer to make an offer to repurchase the Senior Subordinated Notes as described above.

"Change of Control" means the occurrence of any of the following events:

(a) prior to the consummation of an initial Public Equity Offering, any event, the result of which is that the Permitted Holders cease to be the "beneficial owners" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of shares representing 50% or more of the voting power of the Issuer's Voting Stock; or

(b) on or after the consummation of any initial Public Equity Offering, (i) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), other than a Permitted Holder or the Permitted Holders, is or becomes the "beneficial owner" (as defined in clause (a) above), directly or indirectly, of more than 30% of the voting power of the Issuer's outstanding Voting Stock and (ii) the Permitted Holders do not beneficially own a larger percentage of such Voting Stock than such person or group (for the purposes of this clause (b), such other person or group shall be deemed to beneficially own all Voting Stock of a specified entity directly held by a parent entity, if such other person or group becomes the "beneficial owner" (as defined in clause (a) above), directly or indirectly, of more than 30% of the Voting Stock of such parent entity and the Permitted Holders do not beneficially own more than 30% of the Voting Stock of such parent entity); or

(c) (i) the Issuer consummates any transaction (including, without limitation, any merger, consolidation, amalgamation or other combination) pursuant to which the Issuer's outstanding Voting Stock is converted into or exchanged for cash, securities or other property, or (ii) the Issuer conveys, transfers, leases or otherwise disposes of, or any resolution is passed by the Issuer's board of directors or shareholders pursuant to which the Issuer would dispose of, all or substantially all of the Issuer's assets and those of the Restricted Subsidiaries, considered as a whole (other than a transfer of substantially all of such assets to one or more Wholly Owned Subsidiaries), in each case to any Person other than in a transaction where the Issuer's outstanding Voting Stock is not converted or exchanged at all (except to the extent necessary to reflect a change in the jurisdiction of the Issuer's incorporation) or is converted into or exchanged for Voting Stock (other than Redeemable Capital Stock) of the surviving or transferee corporation; and

(x) prior to the occurrence of an initial Public Equity Offering a Permitted Holder is or Permitted Holders are the "beneficial owner" (as defined in Rule 13(d) and 14(d) of the Exchange Act, directly or indirectly, of more than 50% of the total Voting Stock of the surviving or transferee corporation; or

(y) on or after the consummation of an initial Public Offering, no "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), other than a Permitted Holder or the Permitted Holders, is the "beneficial owner" (as defined in clause (a) above), directly or indirectly, of more than 30% of the total outstanding Voting Stock of the surviving or transferee corporation and the Permitted Holders do not beneficially own a larger percentage of such Voting Stock than such person or group; or

(d) during any consecutive two-year period following the date of the Senior Subordinated Indenture, individuals who at the beginning of such period constituted the Issuer's board of directors (together with any new members whose election to such board, or whose nomination for election by the Issuer's shareholders, was approved by a vote of at least a majority of the members of the Issuer's board of directors then still in office who were either members at the beginning of such period or whose election or nomination for

election was previously so approved) cease for any reason to constitute a majority of the members of the Issuer's board of directors then in office; or

(e) the Issuer is liquidated or dissolved or adopts a plan of liquidation or dissolution other than in a transaction which complies with the provisions described under "—Certain Covenants—Consolidation, Merger and Sale of Assets".

Notwithstanding the foregoing, a Change of Control will not be deemed to have occurred by reason of an exchange or conversion of the Issuer's Voting Stock for capital stock of any other Person, provided that following such exchange or conversion of the shareholder's beneficially own, directly or indirectly, the same percentage of capital stock before and after such transaction.

Certain Covenants

The Senior Subordinated Indenture will contain, among others, the following covenants.

Limitation on Debt

(1) The Issuer will not, and will not permit any Restricted Subsidiary to, create, issue, incur, assume, guarantee or in any manner become directly or indirectly liable with respect to or otherwise become responsible for, contingently or otherwise, the payment of (individually and collectively, to "incur" or, as appropriate, an "incurrence"), any Debt (including any Acquired Debt); provided that the Issuer and any Guarantor will be permitted to incur Debt (including Acquired Debt) if:

(a) after giving effect to the incurrence of such Debt and the application of the proceeds thereof, on a pro forma basis, no Default or Event of Default would occur or be continuing; and

(b) at the time of such incurrence and after giving effect to the incurrence of such Debt and the application of the proceeds thereof, on a pro forma basis, the Consolidated Leverage Ratio of the Issuer is equal to or less than 4.5 to 1.0.

(2) This covenant will not, however, prohibit the following (collectively, "Permitted Debt"):

(a) the incurrence by the Issuer or any Restricted Subsidiary of Debt under Credit Facilities in an aggregate principal amount at any one time outstanding not to exceed an amount equal to (i) the greater of (x) €75 million and (y) 50% of the book value of the trade receivables of the Issuer and its Restricted Subsidiaries, minus (ii) the amount of any permanent repayments or permanent prepayments of such Debt with, in each case, the proceeds of Asset Sales made in accordance with "—Certain Covenants—Limitation on Sales of Certain Assets";

(b) the incurrence by the Issuer of Debt pursuant to the Senior Subordinated Notes (other than Additional Senior Subordinated Notes) and the Senior Secured Notes and the incurrence of Debt by the Guarantors pursuant to the Senior Subordinated Guarantees and the Senior Secured Guarantees;

(c) any Debt of the Issuer or any Restricted Subsidiary (other than Debt described in another clause of this paragraph (2)) outstanding on the date of the Senior Subordinated Indenture;

(d) the incurrence by the Issuer or any Restricted Subsidiary of intercompany Debt between the Issuer and any Restricted Subsidiary or between or among Restricted Subsidiaries; provided that

(i) if the Issuer or a Guarantor is the obligor on any such Debt, unless required by a Credit Facility, it is (x) unsecured and (y) it is expressly subordinated in right of payment to the prior payment in full in cash (whether upon Stated Maturity, acceleration or otherwise) and the performance in full of its obligations under the Senior Subordinated Notes or its Senior Subordinated Guarantee, as the case may be; and

(ii) (x) any disposition, pledge or transfer of any such Debt to any Person (other than a disposition, pledge or transfer to the Issuer or a Restricted Subsidiary) and (y) any transaction pursuant to which any Restricted Subsidiary that has Debt owing to the Issuer or another Restricted Subsidiary ceases to be a Restricted Subsidiary, will, in each case, be deemed to be an incurrence of such Debt not permitted by this clause (d);

(e) guarantees of the Senior Subordinated Notes made in accordance with the provisions of the "Limitation on Guarantees of Debt by Restricted Subsidiaries" covenant described below;

(f) the incurrence by the Issuer or any Restricted Subsidiary of Debt represented by Capitalized Lease Obligations, mortgage financings, purchase money obligations or other Debt incurred or assumed in

connection with the acquisition or development of real or personal, movable or immovable, property or assets, in each case, incurred for the purpose of financing or refinancing all or any part of the purchase price, lease expense or cost of construction or improvement of property, plant or equipment used in the Issuer's or any Restricted Subsidiary's business (including any reasonable related fees or expenses incurred in connection with such acquisition or development); provided that the principal amount of such Debt so incurred when aggregated with other Debt previously incurred in reliance on this clause (f) and still outstanding shall not in the aggregate exceed €15 million, and provided further that the total principal amount of any Debt incurred in connection with an acquisition or development permitted under this clause (f) did not in any case at the time of incurrence exceed (i) the Fair Market Value of the acquired or constructed asset or improvement so financed or (ii) in the case of an uncompleted constructed asset, the amount of the asset to be constructed, as determined on the date the contract for construction of such asset was entered into by the Issuer or the relevant Restricted Subsidiary (including, in each case, any reasonable related fees and expenses incurred in connection with such acquisition, construction or development);

(g) the incurrence by the Issuer or any Restricted Subsidiary of Debt arising from agreements providing for guarantees, indemnities or obligations in respect of earnouts or other purchase price adjustments in connection with the acquisition or disposition of assets, including, without limitation, shares of Capital Stock, other than guarantees or similar credit support given by the Issuer or any Restricted Subsidiary of Debt incurred by any Person acquiring all or any portion of such assets for the purpose of financing such acquisition, provided that the maximum aggregate liability in respect of all such Debt permitted pursuant to this clause (g) will at no time exceed the net proceeds, including non-cash proceeds (the Fair Market Value of such non-cash proceeds being measured at the time received and without giving effect to any subsequent changes in value), actually received from the sale of such assets;

(h) the incurrence by the Issuer or any Restricted Subsidiary of Debt under Currency Agreements entered into in the ordinary course of business and not for speculative purposes;

(i) the incurrence by the Issuer or any Restricted Subsidiary of Debt under Interest Rate Agreements entered into in the ordinary course of business and not for speculative purposes;

(j) the incurrence by the Issuer or any Restricted Subsidiary of Debt in respect of workers' compensation and claims arising under similar legislation, or pursuant to self-insurance obligations and not in connection with the borrowing of money or the obtaining of advances or credit;

(k) the incurrence of Debt by the Issuer or any Restricted Subsidiary arising from (i) the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business, provided that such Debt is extinguished within 15 business days of incurrence, (ii) bankers' acceptances, performance, surety, judgment, appeal or similar bonds, instruments or obligations and (iii) completion guarantees or letters of credit provided or obtained by the Issuer or any Restricted Subsidiary in the ordinary course of business;

(l) the incurrence by the Issuer or any Restricted Subsidiary of Permitted Refinancing Debt in exchange for or the net proceeds of which are used to refund, replace or refinance Debt incurred by it pursuant to, or described in, paragraphs (1), 2(b) and (c) of this covenant, as the case may be;

(m) the guarantee by the Issuer or any Guarantors of Debt that was permitted to be incurred by another provision of this covenant, provided that if the Debt being guaranteed is subordinated to the Senior Subordinated Notes, then the guarantee shall be subordinated to the same extent as the Debt guaranteed; and

(n) the incurrence of Debt by the Issuer or any Restricted Subsidiary (other than and in addition to Debt permitted under clauses (a) through (m) above) in an aggregate principal amount at any one time outstanding not to exceed €30 million.

(3) For purposes of determining compliance with any restriction on the incurrence of Debt in euros where Debt is denominated in a different currency, the amount of such Debt will be the Euro Equivalent determined on the date of such determination, provided that if any such Debt denominated in a different currency is subject to a Currency Agreement (with respect to euro) covering principal amounts payable on such Debt, the amount of such Debt expressed in euro will be adjusted to take into account the effect of such agreement. The principal amount of any Permitted Refinancing Debt incurred in the same currency as the Debt being refinanced will be the Euro Equivalent of the Debt being refinanced determined on the date such Debt being refinanced was initially incurred. Notwithstanding any other provision of this covenant, for purposes of determining compliance with this "Limitation on Debt" covenant, increases in Debt solely due to fluctuations in the exchange rates of currencies will not be deemed to exceed the maximum amount that the Issuer or a Guarantor may incur under the "Limitation on Debt" covenant.

(4) For purposes of determining any particular amount of Debt under the "Limitation on Debt" covenant:

(a) obligations in the form of letters of credit, guarantees or Liens, in each case supporting Debt otherwise included in the determination of such particular amount will not be included;

(b) any Liens granted pursuant to the equal and ratable provisions referred to in the "Limitation on Liens" covenant will not be treated as Debt; and

(c) accrual of interest, accrual of dividends, the accretion or amortization of original issue discount or of accreted value, the obligation to pay commitment fees and the payment of interest or dividends in the form of additional Debt will not be treated as Debt.

(5) In the event that an item of Debt meets the criteria of more than one of the types of Debt described in the "Limitation on Debt" covenant, the Issuer, in its sole discretion, will classify items of Debt and will only be required to include the amount and type of such Debt in one of such clauses and the Issuer will be entitled to divide and classify an item of Debt in more than one of the types of Debt described in the "Limitation on Debt" covenant, and may change the classification of an item of Debt (or any portion thereof) to any other type of Debt described in the "Limitation on Debt" covenant at any time.

Limitation on Restricted Payments

(1) The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, take any of the following actions (each of which is a "Restricted Payment" and which are collectively referred to as "Restricted Payments"):

(a) declare or pay any dividend on or make any distribution (whether made in cash, securities or other property) with respect to any of the Issuer's or any Restricted Subsidiary's Capital Stock (including, without limitation, any payment in connection with any merger or consolidation involving the Issuer or any Restricted Subsidiary) (other than (i) to the Issuer or any Wholly Owned Restricted Subsidiary or (ii) to all holders of Capital Stock of such Restricted Subsidiary on a pro rata basis or on a basis that results in the receipt by the Issuer or a Restricted Subsidiary of dividends or distributions of greater value than the Issuer or such Restricted Subsidiary would receive on a pro rata basis, provided that any amount so paid or distributed to holders of Capital Stock of a Restricted Subsidiary other than the Issuer a Restricted Subsidiary shall be included in the calculation of the aggregate amount of all Restricted Payments declared or made after the date of the Senior Subordinated Indenture for the purposes of paragraph (2) of this "Limitation on Restricted Payments" covenant) except for dividends or distributions payable solely in shares of the Issuer's Qualified Capital Stock or in options, warrants or other rights to acquire such shares of Qualified Capital Stock;

(b) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation), directly or indirectly, any shares of the Issuer's Capital Stock or any Capital Stock of any Affiliate of the Issuer held by persons other than the Issuer or a Restricted Subsidiary (other than Capital Stock of any Restricted Subsidiary or any entity that becomes a Restricted Subsidiary as a result thereof) or any options, warrants or other rights to acquire such shares of Capital Stock;

(c) make any principal payment on, or repurchase, redeem, defease or otherwise acquire or retire for value, prior to any scheduled principal payment, sinking fund payment or Stated Maturity, any Subordinated Debt (other than intercompany Debt between the Issuer and any Restricted Subsidiary or among Restricted Subsidiaries);

(d) pay any interest or make any principal or other payment on or repurchase, redeem, defease or otherwise acquire or retire for value, any Deeply Subordinated Shareholder Loans; or

(e) make any Investment (other than any Permitted Investment) in any Person.

If any Restricted Payment described above is not made in cash, the amount of the proposed Restricted Payment will be the Fair Market Value of the asset or securities to be transferred as of the date of transfer.

(2) Notwithstanding paragraph (1) above, the Issuer or any Restricted Subsidiary may make a Restricted Payment if, at the time of and after giving pro forma effect to such proposed Restricted Payment:

(a) no Default or Event of Default has occurred and is continuing and such Restricted Payment will not be an event that is or, after notice of lapse of time or both, would be, an "event of default" under the terms of any Debt of the Issuer or of any Restricted Subsidiary;

(b) the Issuer could incur at least €1.00 of additional Debt (other than Permitted Debt) pursuant to the "Limitation on Debt" covenant applying a Consolidated Net Debt Leverage Ratio of 3.0 to 1.0; and

(c) the aggregate amount of all Restricted Payments declared or made after the date of the Senior Subordinated Indenture does not exceed the sum of:

(i) (x) the aggregate amount of Consolidated EBITDA (or, if the Consolidated EBITDA is negative, minus 100% of the amount) minus (y) 200% of Consolidated Interest Expense, each accrued on a cumulative basis during the period beginning on the first day of the fiscal quarter in which the Senior Subordinated Notes are issued and ending on the last day of the Issuer's last fiscal quarter ending prior to the date of such proposed Restricted Payment, plus

(ii) the aggregate Net Cash Proceeds received by the Issuer after the date of the Senior Subordinated Indenture as capital contributions or from the issuance or sale (other than to any Subsidiary) of shares of the Issuer's Qualified Capital Stock (including upon the exercise of options, warrants or rights) or warrants, options or rights to purchase shares of the Issuer's Qualified Capital Stock (except, in each case to the extent such proceeds are used to purchase, redeem or otherwise retire Capital Stock or Subordinated Debt as set forth in clause (d) or (e) of paragraph (3) below) (excluding the Net Cash Proceeds from the issuance of the Issuer's Qualified Capital Stock financed, directly or indirectly, using funds borrowed from the Issuer or any Subsidiary until and to the extent such borrowing is repaid), plus

(iii) (x) the amount by which the Debt of the Issuer or of any Restricted Subsidiary (other than Pari Passu or Subordinated Debt or any renewals, extensions, substitutions, refinancings or replacements thereof, the proceeds of which were used to refinance Deeply Subordinated Shareholder Loans pursuant to clause (3)(i) below) is reduced on the Issuer's consolidated balance sheet after the date of the Senior Subordinated Indenture upon the conversion or exchange (other than by the Issuer or a Subsidiary) of such Debt into the Issuer's Qualified Capital Stock and (y) the aggregate Net Cash Proceeds received after the date of the Senior Subordinated Indenture by the Issuer from the issuance or sale (other than to any Subsidiary) of Redeemable Capital Stock that has been converted into or exchanged for the Issuer's Qualified Capital Stock, to the extent such Redeemable Capital Stock was originally sold for cash or Cash Equivalents, together with, in the case of both clauses (x) and (y), the aggregate Net Cash Proceeds received by the Issuer at the time of such conversion or exchange (excluding the Net Cash Proceeds from the issuance of the Issuer's Qualified Capital Stock financed, directly or indirectly, using funds borrowed from the Issuer or any Subsidiary until and to the extent such borrowing is repaid), plus

(iv) (x) in the case of the disposition or repayment of any Investment constituting a Restricted Payment made after the date of the Senior Subordinated Indenture, an amount (to the extent not included in Consolidated EBITDA) equal to the lesser of the return of capital with respect to such Investment and the contributed amount of such Investment, in either case, less the cost of the disposition of such Investment and net of taxes and (y) in the case of the designation of an Unrestricted Subsidiary as a Restricted Subsidiary (as long as the designation of such Subsidiary as an Unrestricted Subsidiary was deemed a Restricted Payment), the Fair Market Value of the Issuer's interest in such Subsidiary, provided that such amount will not in any case exceed the amount of the Restricted Payment deemed made at the time that the Subsidiary was designated as an Unrestricted Subsidiary.

(3) Notwithstanding paragraphs (1) and (2) above, the Issuer and any Restricted Subsidiary may take the following actions so long as (with respect to clauses (d) through (h) below) no Default or Event of Default has occurred and is continuing:

(a) the payment of any dividend within 60 days after the date of its declaration if at such date of its declaration such payment would have been permitted by the provisions of this covenant;

(b) cash payments in lieu of issuing fractional shares pursuant to the exchange or conversion of any exchangeable or convertible securities;

(c) payments or distributions to dissenting shareholders pursuant to applicable law in connection with or in contemplation of a merger, consolidation or transfer of assets that complies with the provisions of the Senior Subordinated Indenture relating to mergers, consolidations or transfers of substantially all of the Issuer's assets;

(d) the repurchase, redemption or other acquisition or retirement for value of any shares of the Issuer's Capital Stock or options, warrants or other rights to acquire such Capital Stock in exchange for (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares or scrip), or out of the Net Cash Proceeds of a substantially concurrent issuance and sale (other than to a Subsidiary) of, shares of the Issuer's Qualified Capital Stock or options, warrants or other rights to acquire such Capital Stock;

(e) the repurchase, redemption, defeasance or other acquisition or retirement for value or payment of principal of any Subordinated Debt in exchange for, or out of the Net Cash Proceeds of a substantially concurrent issuance and sale (other than to a Subsidiary) of, shares of the Issuer's Qualified Capital Stock;

(f) the purchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Debt (other than Redeemable Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent incurrence (other than to a Subsidiary) of, Permitted Refinancing Debt;

(g) the repurchase of Capital Stock deemed to occur upon the exercise of stock options with respect to which payment of the cash exercise price has been forgiven if the cumulative aggregate value of such deemed repurchases does not exceed the cumulative aggregate amount of the exercise price of such options received;

(h) the repurchase, redemption, acquisition or other retirement for value of any Capital Stock of the Issuer or any of its Restricted Subsidiaries held by any employee benefit plan of the Issuer or any of its Restricted Subsidiaries, any current or former employees or directors of the Issuer or any of its Restricted Subsidiaries or pursuant to any management agreement, subscription agreement or stock option agreement of the Issuer or any of its Restricted Subsidiaries, provided that the aggregate price paid for all such repurchased, redeemed, acquired or retired Capital Stock shall not exceed €2.5 million in any 12-month period; and

(i) the repurchase, redemption, defeasance or other acquisition or retirement for value or payment on account of any Deeply Subordinated Shareholder Loans out of the Net Cash Proceeds of the Senior Subordinated Notes, provided that the total aggregate amount of Restricted Payments made under this clause (i) does not exceed €225 million; and

(j) any other Restricted Payment, provided that the total aggregate amount of Restricted Payments made under this clause (j) does not exceed €10 million.

The actions described in clauses (a), (b), (c), (g), (h) and (j) of this paragraph (3) are Restricted Payments that will be permitted to be made in accordance with this paragraph (3) but that reduce the amount that would otherwise be available for Restricted Payments under clause (c) of paragraph (2) above.

Limitation on Issuances and Sales of Capital Stock of Restricted Subsidiaries

The Issuer will not sell, pledge or otherwise dispose of, and will not permit any Restricted Subsidiary (other than as permitted under the "Limitation on Liens" covenant), directly or indirectly, to issue or sell, any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock). The foregoing sentence, however, will not apply to:

(a) any issuance or sale of shares of Capital Stock of a Restricted Subsidiary to the Issuer or a Wholly Owned Restricted Subsidiary;

(b) any issuance or sale to directors of directors' qualifying shares or issuances or sales of shares of Capital Stock of a Restricted Subsidiary to be held by third parties, in each case to the extent required by applicable law;

(c) any issuance or sale of shares of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the "Limitation on Restricted Payments" covenant if made on the date of such issuance or sale;

(d) any issuance of or sale of shares of Capital Stock of a Restricted Subsidiary made in compliance with the "Limitation on Sale of Certain Assets" covenant and if immediately after giving effect to such issuance or sale such Restricted Subsidiary would continue to be a Restricted Subsidiary;

(e) any issuance of shares of Capital Stock of a Restricted Subsidiary, if after giving effect to such issuance, the Issuer directly or indirectly maintains at least the same percentage ownership of such Restricted Subsidiary as it owned immediately prior to such issuance; and

(f) Capital Stock issued by a Person prior to the time:

(i) such Person becomes a Restricted Subsidiary,

(ii) such Person consolidates or merges with or into a Restricted Subsidiary, or

(iii) a Restricted Subsidiary consolidates or merges with or into such Person;

but only if such Capital Stock was not issued or incurred by such Person in anticipation of it becoming a Restricted Subsidiary.

Limitation on Transactions with Affiliates

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into or suffer to exist any transaction or series of related transactions (including, without limitation, the sale, purchase, exchange or lease of assets or property or the rendering of any service), with, or for the benefit of, any Affiliate of the Issuer or any other Restricted Subsidiary unless such transaction or series of transactions is entered into in good faith and:

(a) such transaction or series of transactions is on terms that, taken as a whole, are not materially less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could have been obtained in a comparable arm's length transactions with third parties that are not Affiliates;

(b) with respect to any transaction or series of related transactions involving aggregate payments or the transfer of assets or provision of services, in each case having a value greater than €5 million, the Issuer will deliver an Officer's Certificate to the trustee certifying that such transaction or series of transactions complies with clause (a) above;

(c) with respect to any transaction or series of related transactions involving aggregate payments or the transfer of assets or provision of services, in each case having a value greater than €10 million, the Issuer will deliver a resolution of its board of directors (set out in an Officer's Certificate to the trustee) resolving with the participation of the majority of the Disinterested Directors (or in the event that there is only one Disinterested Director, by the resolution of such Disinterested Director), that such transaction complies with clause (a) above; and

(d) with respect to any transaction or series of related transactions involving aggregate payments or the transfer of assets or the provision of services, in each case having a value greater than €20 million, the Issuer will deliver to the trustee a written opinion of an investment banking firm of international standing (or, if an investment banking firm is generally not qualified to give such an opinion, by an internationally recognized appraisal firm or accounting firm) stating that the transaction or series of transactions is fair to the Issuer or such Restricted Subsidiary from a financial point of view.

Notwithstanding the foregoing, the restrictions set forth in this description will not apply to:

(i) customary directors' fees, indemnification and similar arrangements (including the payment of directors' and officers' insurance premiums), consulting fees, employee salaries, bonuses, employment agreements and arrangements, compensation or employee benefit arrangements, including stock options or legal fees, so long as the board of directors of the Issuer or a Guarantor, as appropriate, has approved the terms thereof in good faith and deemed the services theretofore or thereafter to be performed for such compensation or payments to be fair consideration therefor;

(ii) any Restricted Payment not prohibited by the "Limitation on Restricted Payments" covenant or the making of an Investment that is a Permitted Investment;

(iii) loans and advances (but not any forgiveness of such loans or advances) to the Issuer's or any Restricted Subsidiary's officers, directors and employees for travel, entertainment, moving and other relocation expenses, in each case made in the ordinary course of business provided that such loans and advances do not exceed €2 million in the aggregate at any one time outstanding;

(iv) agreements and arrangements existing on the date of the Senior Subordinated Indenture and any amendment, modification or supplement thereto, provided that following such amendment, modification or supplement the terms of any such agreement or arrangement so amended, modified or supplemented are not, taken as a whole, more disadvantageous to the holders of the Senior Subordinated Notes and to the Issuer and the Restricted Subsidiaries, as applicable, than the original agreement or arrangement as in effect on the date of the Senior Subordinated Indenture and provided, further, that such amendment or modification is (x) on a basis substantially similar to that which would be conducted in an arm's length transaction with third parties who are not Affiliates and (y) in the case of any transaction having a Fair Market Value of greater than €10 million, approved by the Issuer's board of directors (including a majority of the Disinterested Directors);

(v) any payments or other transactions pursuant to a tax sharing agreement between the Issuer and any other Person with which the Issuer files a consolidated tax return or with which the Issuer is part of a consolidated group for tax purposes or any tax advantageous group contribution made pursuant to applicable legislation;

(vi) the issuance of securities pursuant to, or for the purpose of the funding of, employment arrangements, stock options and stock ownership plans, as long as the terms thereof are or have been previously approved by the Issuer's board of directors;

(vii) the granting and performance of registration rights for the Issuer's securities;

(viii) transactions between or among the Issuer and the Restricted Subsidiaries or between or among Restricted Subsidiaries;

(ix) transactions with Affiliates solely in their capacity as holders of Debt or Capital Stock of the Issuer or any Restricted Subsidiary where such Affiliates are treated no more favorably than holders of Debt or Capital Stock of the Issuer or any Restricted Subsidiary that are not Affiliates;

(x) transactions in connection with Investments permitted by paragraphs (o) through (r) of the definition of Permitted Investments on terms no less favorable to the Issuer or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such Restricted Subsidiary with an unrelated Person, as certified to the trustee in an Officer's Certificate which transaction has been approved by the board of directors; and

(xi) transactions entered into in the ordinary course with any of the black economic empowerment entities which are shareholders or investees of CellSAf (Pty) Limited on terms no less favorable to the Issuer or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such Restricted Subsidiary with an unrelated Person.

Limitation on Liens

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume or suffer to exist any Lien of any kind (except for Permitted Liens) on or with respect to any of the Issuer's or any Restricted Subsidiary's property or assets, including any shares or stock or Debt of any Restricted Subsidiary, whether owned at or acquired after the date of the Senior Subordinated Indenture, or any income, profits or proceeds therefrom unless:

(a) in the case of any Lien securing Subordinated Debt, the Issuer's obligations in respect of the Senior Subordinated Notes, the obligations of the Guarantors under the Senior Subordinated Guarantees and all other amounts due under the Senior Subordinated Indenture are directly secured by a Lien on such property, assets or proceeds that is senior in priority to the Lien securing the Subordinated Debt until such time as the Subordinated Debt is no longer secured by a Lien; and

(b) in the case of any other Lien, the Issuer's obligations in respect of the Senior Subordinated Notes, the obligations of the Guarantors under the Senior Subordinated Guarantees and all other amounts due under the Senior Subordinated Indenture are equally and ratably secured with the obligation or liability secured by such Lien until such time as the obligation or liability is no longer secured by a Lien.

Limitation on Sale of Certain Assets

(1) The Issuer will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale unless:

(a) the consideration the Issuer or such Restricted Subsidiary receives for such Asset Sale is not less than the Fair Market Value of the assets sold (as determined by the Issuer's board of directors or, in the case of any Asset Sale having a Fair Market Value greater than €10 million, as determined by the Issuer's board of directors and evidenced by a resolution of the Issuer's board of directors);

(b) at least 75% of the consideration the Issuer or such Restricted Subsidiary receives in respect of such Asset Sale consists of (i) cash (ii) Cash Equivalents; (iii) securities, notes or other obligations that are converted within 60 days of such Asset Sale into cash or Cash Equivalents; (iv) the assumption by the purchaser of (x) the Issuer's Debt or Debt of any Restricted Subsidiary (other than Subordinated Debt) as a result of which neither the Issuer nor any of the Restricted Subsidiaries remains obligated in respect of such Debt or (y) Debt of a Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Sale, if the Issuer and each other Restricted Subsidiary is released from any guarantee of such Debt as a result of such Asset Sale; (v) Replacement Assets; or (vi) a combination of the consideration specified in clauses (i) to (v); and

(c) the Issuer delivers an Officer's Certificate to the trustee certifying that such Asset Sale complies with the provisions described in the foregoing clauses (a) and (b).

(2) If the Issuer or any Restricted Subsidiary consummates an Asset Sale, the Net Cash Proceeds of the Asset Sale, within 365 days after the consummation of such Asset Sale, may be used by the Issuer or such Restricted Subsidiary to (a) permanently repay or prepay any then outstanding Senior Debt of the Issuer or any Guarantor (and to permanently reduce the corresponding commitment by an equal amount if such Senior Debt is revolving credit borrowings) owing to a Person other than the Issuer or a Restricted Subsidiary, or (b) invest in

any Replacement Assets, or (c) any combination of the foregoing. The amount of such Net Cash Proceeds not so used as set forth in this paragraph (2) constitutes "Excess Proceeds". Pending the final application of any such Net Cash Proceeds, the Issuer may temporarily reduce revolving credit borrowings or otherwise invest such Net Cash Proceeds in any manner that is not prohibited by the terms of the Senior Subordinated Indenture.

(3) When the aggregate amount of Excess Proceeds exceeds €10 million, the Issuer will, within 15 Business Days, make an offer to purchase (an "Excess Proceeds Offer") from all holders of Senior Subordinated Notes and from the holders of any Pari Passu Debt, to the extent required by the terms thereof, on a pro rata basis, in accordance with the procedures set forth in the Senior Subordinated Indenture or the agreements governing any such Pari Passu Debt, the maximum principal amount (expressed as a multiple of $1,000) of the Senior Subordinated Notes and any such Pari Passu Debt that may be purchased with the amount of the Excess Proceeds. The offer price as to each Senior Subordinated Note and any such Pari Passu Debt will be payable in cash in an amount equal to (solely in the case of the Senior Subordinated Notes) 100% of the principal amount of such Senior Subordinated Note and (solely in the case of Pari Passu Debt) no greater than 100% of the principal amount (or accreted value, as applicable) of such Pari Passu Debt, plus in each case accrued and unpaid interest, if any, to the date of purchase.

To the extent that the aggregate principal amount of Senior Subordinated Notes and any such Pari Passu Debt tendered pursuant to an Excess Proceeds Offer is less than the aggregate amount of Excess Proceeds, the Issuer may use the amount of such Excess Proceeds not used to purchase Senior Subordinated Notes and Pari Passu Debt for general corporate purposes that are not otherwise prohibited by the Senior Subordinated Indenture. If the aggregate principal amount of Senior Subordinated Notes and any such Pari Passu Debt validly tendered and not withdrawn by holders thereof exceeds the aggregate amount of Excess Proceeds, the Senior Subordinated Notes and any such Pari Passu Debt to be purchased will be selected by the trustee on a pro rata basis (based upon the principal amount of Senior Subordinated Notes and the principal amount or accreted value of such Pari Passu Debt tendered by each holder). Upon completion of each such Excess Proceeds Offer, the amount of Excess Proceeds will be reset to zero.

(4) If the Issuer is obligated to make an Excess Proceeds Offer, the Issuer will purchase the Senior Subordinated Notes and Pari Passu Debt, at the option of the holders thereof, in whole or in part in integral multiples of $1,000, on a date that is not earlier than 30 days and not later than 60 days from the date the notice of the Excess Proceeds Offer is given to such holders or such later date as may be required under the Exchange Act.

If the Issuer is required to make an Excess Proceeds Offer, the Issuer will comply with the applicable tender offer rules, including Rule 14e-1 under the Exchange Act and any other applicable securities laws and regulations, including the requirements of any applicable securities exchange on which Senior Subordinated Notes are then listed. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this covenant, the Issuer will comply with such securities laws and regulations and will not be deemed to have breached its obligations described in this covenant by virtue thereof.

Limitation on Sale and Leaseback Transactions

The Issuer will not, and will not permit any Restricted Subsidiary to, enter into any sale and leaseback transaction with respect to any property or assets, whether now owned or hereafter acquired, (other than (i) between the Issuer and a Guarantor, (ii) between Guarantors, (iii) from a Restricted Subsidiary that is not a Guarantor to the Issuer or a Guarantor or (iv) between or among Restricted Subsidiaries that are not Guarantors) unless:

(a) the sale or transfer of such property or assets to be leased is treated as an Asset Sale and the "Limitation on Sale of Assets" covenant is complied with, including the provisions concerning the application of Net Cash Proceeds (treating all of the net consideration received in such sale and leaseback transaction as Net Cash Proceeds for the purposes of such covenant);

(b) the Issuer or such Restricted Subsidiary, as applicable, would be permitted to incur Debt under the "Limitation on Debt" covenant in the amount of the Attributable Debt incurred in respect of such sale and leaseback transaction; and

(c) the Issuer or such Restricted Subsidiary, as applicable, would be permitted to grant a Lien to secure Debt under the "Limitation on Liens" covenant in the amount of the Attributable Debt in respect of such sale and leaseback transaction.

Notwithstanding the foregoing, nothing shall prevent the Issuer or any Restricted Subsidiary from engaging in a sale and leaseback transaction solely between the Issuer and any Restricted Subsidiary or solely between or among Restricted Subsidiaries.

Limitation on Guarantees of Debt by Restricted Subsidiaries

(1) The Issuer will not permit any Restricted Subsidiary that is not a Guarantor, directly or indirectly, to guarantee, assume or in any other manner become liable for the payment of any Pari Passu Debt or Subordinated Debt of the Issuer (other than the Senior Subordinated Notes) or any Guarantor, unless:

(a) (i) such Restricted Subsidiary simultaneously executes and delivers, in a form satisfactory to the Trustee, a supplemental indenture to the Senior Subordinated Indenture providing for a Guarantee of payment of the Senior Subordinated Notes by such Restricted Subsidiary on the same terms as the guarantee of such Debt and delivers an Officer's Certificate and an opinion of counsel (reasonably acceptable to the trustee), each to the effect that the supplemental Senior Subordinated Indenture, the Senior Subordinated Indenture and the Senior Subordinated Notes are legal, valid and binding obligations of the Restricted Subsidiary enforceable (subject to customary exceptions and exclusions) in accordance with their terms; and

(ii) with respect to any guarantee of Subordinated Debt by such Restricted Subsidiary, any such guarantee shall be subordinated to such Restricted Subsidiary's Senior Subordinated Guarantee with respect to the Senior Subordinated Notes at least to the same extent as such Subordinated Debt is subordinated to the Senior Subordinated Notes; and

(b) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Issuer or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Senior Subordinated Guarantee.

This paragraph (1) will not be applicable to any guarantees of any Restricted Subsidiary:

(i) guaranteeing Debt under Credit Facilities permitted to be incurred pursuant to paragraphs (1) and (2)(a) of "—Certain Covenants—Limitation on Debt" or existing on the date of the Senior Subordinated Indenture;

(ii) that existed at the time such Person became a Restricted Subsidiary if the guarantee was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary; or

(iii) given to a bank or trust company incorporated in the Republic of South Africa, any member state of the European Union as of the date of the Senior Subordinated Indenture or any commercial banking institution that is a member of the U.S. Federal Reserve System, (or any branch, Subsidiary or Affiliate thereof) in each case having combined capital and surplus and undivided profits of not less than €500 million, whose debt has a rating, at the time such guarantee was given, of at least A or the equivalent thereof by S&P and at least A2 or the equivalent thereof by Moody's, in connection with the operation of cash management programs established for the Issuer's benefit or that of any Restricted Subsidiary.

(2) Notwithstanding the foregoing, any Senior Subordinated Guarantee of the Senior Subordinated Notes created pursuant to the provisions described in paragraph (1) above may provide by its terms that it will be automatically and unconditionally released and discharged upon:

(a) any sale, exchange or transfer, to any Person who is not the Issuer's Affiliate, of all of the Capital Stock owned by the Issuer and its Restricted Subsidiaries in, or all or substantially all the assets of, such Restricted Subsidiary (which sale, exchange or transfer is not prohibited by the Senior Subordinated Indenture); or

(b) (with respect to any Senior Subordinated Guarantee created after the date of the Senior Subordinated Indenture) the release by the holders of the Issuer's or the Guarantor's Debt described in paragraph (1) above, of their guarantee by such Restricted Subsidiary (including any deemed release upon payment in full of all obligations under such Debt other than as a result of payment under such guarantee), at a time when:

(i) no other Debt of the Issuer or any Guarantor has been guaranteed by such Restricted Subsidiary; or

(ii) the holders of all such other Debt that is guaranteed by such Restricted Subsidiary also release their guarantee by such Restricted Subsidiary (including any deemed release upon payment in full of all obligations under such Debt other than as a result of payment under such guarantee); or

(c) the release of the Senior Subordinated Guarantees on the terms and conditions and in the circumstances described in "—Ranking of the Senior Subordinated Notes and the Senior Subordinated Guarantees; Subordination".

Limitation on Dividends and Other Payment Restrictions Affecting Restricted Subsidiaries

(1) The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction of any kind on the ability of any Restricted Subsidiary to:

(a) pay dividends, in cash or otherwise, or make any other distributions on or in respect of its Capital Stock or any other interest or participation in, or measured by, its profits;

(b) pay any Debt owed to the Issuer or any Restricted Subsidiary;

(c) make loans or advances to the Issuer or any Restricted Subsidiary; or

(d) transfer any of its properties or assets to the Issuer or any Restricted Subsidiary.

(2) The provisions of the covenant described in paragraph (1) above will not apply to:

(a) encumbrances and restrictions imposed by the Senior Subordinated Notes, the Senior Secured Notes, the Senior Subordinated Indenture, the Senior Secured Indenture, the Senior Subordinated Guarantees, the Senior Secured Guarantees, the Credit Facilities and the Senior Secured Subordination Agreement or by other instruments governing other Debt incurred by the Issuer or the Restricted Subsidiaries (and if such Debt is guaranteed, by the Guarantors of such Debt) ranking equally with the Senior Subordinated Notes (or any Senior Subordinated Guarantee), provided that the encumbrances or restrictions imposed by such other instruments are not materially more restrictive, taken as a whole, than the restrictions imposed by the Senior Subordinated Indenture;

(b) encumbrances or restrictions imposed by Debt permitted to be incurred under Credit Facilities or any guarantees thereof in accordance with clause (a) of the definition of "Permitted Debt" or paragraph (1) of the "Limitation on Debt" covenant; provided that in the case of any such encumbrances or restrictions imposed under any Credit Facilities, such encumbrances or restrictions (i) are not materially more restrictive taken as a whole than is customary for such Credit Facilities and (ii) do not adversely affect the ability of the Issuer to make payments of interest or principal on the Notes;

(c) encumbrances or restrictions contained in any agreement in effect on the date of the Senior Subordinated Indenture (other than an agreement described in another clause of this paragraph (2)) in the form contained in such agreement on the date of the Indenture;

(d) with respect to restrictions or encumbrances referred to in clause (1)(d) above, encumbrances and restrictions: (i) that restrict in a customary manner the subletting, assignment or transfer of any properties or assets that are subject to a lease, license, conveyance or other similar agreement to which the Issuer or any Restricted Subsidiary is a party; and (ii) contained in operating leases for real property and restricting only the transfer of such real property upon the occurrence and during the continuance of a default in the payment of rent;

(e) encumbrances or restrictions contained in any agreement or other instrument of a Person acquired by the Issuer or any Restricted Subsidiary in effect at the time of such acquisition (but not created in contemplation thereof), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired;

(f) encumbrances or restrictions contained in contracts for sales of Capital Stock or assets permitted by the "Limitation on Sale of Certain Assets" covenant with respect to the assets or Capital Stock to be sold pursuant to such contract or in customary merger or acquisition agreements (or any option to enter into such contract) for the purchase or acquisition of Capital Stock or assets or any of the Issuer's Subsidiaries by another Person;

(g) encumbrances or restrictions imposed by applicable law or regulation or by governmental licenses, concessions, franchises or permits;

(h) any encumbrances or restrictions existing under any agreement that extends, renews, refinances or replaces the agreements containing the encumbrances or restrictions in the foregoing clauses (2)(a), (b), (c)

and (e); provided that the terms and conditions of any such encumbrances or restrictions are not materially less favorable to the holders of the Senior Subordinated Notes than those under or pursuant to the agreement so extended, renewed, refinanced or replaced;

(i) encumbrances or restrictions on cash or other deposits or net worth imposed by customers under contracts entered into the ordinary course of business;

(j) customary limitations on the distribution or disposition of assets or property of a Restricted Subsidiary in joint venture agreements entered into in the ordinary course of business and in good faith; provided that such encumbrance or restriction is applicable only to such Restricted Subsidiary and provided that:

(i) the encumbrance or restriction is not materially more disadvantageous to the holders of the Senior Subordinated Notes than is customary in comparable agreements (as determined in good faith by the Issuer); and

(ii) the Issuer determines in good faith that any such encumbrance or restriction will not materially affect the ability of the Issuer or any Guarantor to make any anticipated principal or interest payments on the Senior Subordinated Notes;

(k) in the case of clause 1(d) above, customary encumbrances or restrictions in connection with purchase money obligations, mortgage financings and Capitalized Lease Obligations for property acquired in the ordinary course of business;

(l) any encumbrance or restriction arising by reason of customary non-assignment provisions in agreements; or

(m) with respect to restrictions or encumbrances referred to in clause (1)(d) above, encumbrances or restrictions existing by reason of any Lien permitted under “Limitations on Liens”.

Limitation on Layered Debt

The Issuer will not incur, create, issue, assume, guarantee or otherwise become liable for any Debt that is both subordinate or junior in right of payment to any Senior Debt of the Issuer and senior in any respect in right of payment to the Senior Subordinated Notes or any other Pari Passu Debt of the Issuer. No Guarantor will incur, create, issue, assume, guarantee or otherwise become liable for any Debt that is both subordinate or junior in right of payment to any Senior Debt of such Guarantor and senior in right of payment to its Senior Subordinated Guarantee or any other Pari Passu Debt of such Guarantor. None of the foregoing limitations will apply to distinctions between categories of Senior Debt that exist by reason of any Liens or guarantees arising or created in respect of some but not all of such Senior Debt.

Designation of Unrestricted and Restricted Subsidiaries

The Issuer’s board of directors may designate any Subsidiary (including newly acquired or newly established Subsidiaries) to be an “Unrestricted Subsidiary” only if:

(a) no Default has occurred and is continuing at the time of or after giving effect to such designation;

(b) the Issuer would be permitted to make an Investment (other than a Permitted Investment) at the time of designation (assuming the effectiveness of such designation) pursuant to the first paragraph of the “Limitation on Restricted Payments” covenant in an amount equal to the greater of (i) the net book value of the Issuer’s interest in such Subsidiary calculated in accordance with GAAP or (ii) the Fair Market Value of the Issuer’s interest in such Subsidiary;

(c) the Issuer would be permitted under the Senior Subordinated Indenture to incur €1.00 of additional Debt (other than Permitted Debt) pursuant to the “Limitation on Debt” covenant at the time of such designation (assuming the effectiveness of such designation);

(d) neither the Issuer nor any Restricted Subsidiary has a contract, agreement, arrangement, understanding or obligation of any kind, whether written or oral, with such Subsidiary unless the terms of such contract, arrangement, understanding or obligation are no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Issuer or of any Restricted Subsidiary;

(e) such Subsidiary does not own any Capital Stock, Redeemable Capital Stock or Debt of, or own or hold any Lien on any property or assets of, or have any Investment in, the Issuer or any other Restricted Subsidiary;

(f) such Subsidiary is not liable, directly or indirectly, with respect to any Debt, Lien or other obligation that, if in default, would result (with the passage of time or notice or otherwise) in a default on any of the Issuer's Debt or Debt of any Restricted Subsidiary, provided that an Unrestricted Subsidiary may provide a Senior Subordinated Guarantee for the Senior Subordinated Notes;

(g) such Subsidiary, either alone or in the aggregate with all other Unrestricted Subsidiaries, does not operate, directly or indirectly, all or substantially all of the business of the Issuer and its Subsidiaries; and

(h) such Subsidiary is a Person with respect to which neither the Issuer nor any Restricted Subsidiary has any direct or indirect obligation to:

(i) subscribe for additional Capital Stock of such Person; or

(ii) maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results.

In the event of any such Designation, the Issuer will be deemed to have made an Investment constituting a Restricted Payment pursuant to the "Limitation on Restricted Payments" covenant for all purposes of the Senior Subordinated Indenture in an amount equal to the greater of (i) the net book value of the Issuer's interest in such Subsidiary calculated in accordance with GAAP or (ii) the Fair Market Value of the Issuer's interest in such Subsidiary.

The Senior Subordinated Indenture will further provide that neither the Issuer nor any Restricted Subsidiary will at any time:

(a) provide a guarantee of, or similar credit support to, any Debt of any Unrestricted Subsidiary (including of any undertaking, agreement or instrument evidencing such Debt); provided that the Issuer may pledge Capital Stock or Debt of any Unrestricted Subsidiary on a nonrecourse basis as long as the pledgee has no claim whatsoever against the Issuer other than to obtain such pledged property, except to the extent permitted under the "Limitation on Restricted Payments" and "Limitation on Transactions with Affiliates" covenants;

(b) be directly or indirectly liable for any Debt of any Unrestricted Subsidiary, except to the extent permitted under the "Limitation on Restricted Payments" and "Limitation on Transactions with Affiliates" covenants; or

(c) be directly or indirectly liable for any other Debt that provides that the holder thereof may (upon notice, lapse of time or both) declare a default thereon (or cause the payment thereof to be accelerated or payable prior to its final scheduled maturity) upon the occurrence of a default with respect to any other Debt that is Debt of an Unrestricted Subsidiary (including any corresponding right to take enforcement action against such Unrestricted Subsidiary).

The Issuer's board of directors may designate any Unrestricted Subsidiary as a Restricted Subsidiary:

(a) if no Default or Event of Default has occurred and is continuing at the time of, or will occur and be continuing after giving effect to, such designation; and

(b) unless such designated Unrestricted Subsidiary shall not have any Debt outstanding (other than Debt that would be Permitted Debt), immediately after giving effect to such proposed designation, and after giving pro forma effect to the incurrence of any such Debt of such designated Unrestricted Subsidiary as if such Debt was incurred on the date of its designation as a Restricted Subsidiary, the Issuer could incur €1.00 of additional Debt (other than Permitted Debt) pursuant to the "Limitation on Debt" covenant.

Any such designation as an Unrestricted Subsidiary or Restricted Subsidiary by the Issuer's board of directors will be evidenced to the trustee by filing a resolution of the Issuer's board of directors with the trustee giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions, and giving the effective date of such designation. Any such filing with the trustee must occur within 45 days after the end of the Issuer's fiscal quarter in which such designation is made (or, in the case of a designation made during the last fiscal quarter of the Issuer's fiscal year, within 90 days after the end of such fiscal year).

Reports to Holders

So long as any Senior Subordinated Notes are outstanding, the Issuer will furnish to the trustee (who, at the Issuer's expense, will furnish by mail to holders of the Senior Subordinated Notes):

(a) within 120 days following the end of each of the Issuer's fiscal years, information including "Selected Historical Financial Data", "Management's Discussion and Analysis of Financial Condition and

Results of Operations" and "Business" sections with scope and content substantially similar to the corresponding sections of this prospectus (after taking into consideration any changes to the business and operations of the Issuer after the Issue Date), consolidated audited income statements, balance sheets and cash flow statements and the related notes thereof for the Issuer for the two most recent fiscal years in accordance with GAAP, which need not, however, contain any reconciliation to U.S. GAAP or otherwise comply with Regulation S-X of the Commission, together with an audit report thereon by the Issuer's independent auditors; and

(b) within 60 days following the end of the fiscal quarters ended June 30, 2005 and September 30, 2005 and of the first three fiscal quarters in each of the Issuer's fiscal years thereafter, quarterly reports containing unaudited balance sheets, statements of income, statements of shareholders equity and statements of cash flows for the Issuer and the Restricted Subsidiaries on a consolidated basis, in each case for the quarterly period then ended and the corresponding quarterly period in the prior fiscal year and prepared in accordance with GAAP, which need not, however, contain any reconciliation to U.S. GAAP or otherwise comply with Regulation S-X of the Commission, together with a "Management's Discussion and Analysis of Financial Condition and Results of Operations" section for such quarterly period and condensed footnote disclosure; and

(c) promptly from time to time after the occurrence of a material acquisition or disposition that would constitute a Significant Subsidiary (as defined in Regulation S-X of the Commission) at the 20% threshold, financial information of the acquired business and pro forma financial information of the Issuer and the Restricted Subsidiaries giving effect to the acquisition or disposition to the extent practicable utilizing available information (which need not be required to contain any U.S. GAAP information or otherwise comply with Regulation S-X of the Commission).

In addition, the Issuer shall furnish to the holders of the Senior Subordinated Notes and to prospective investors, upon the requests of such holders, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as the Senior Subordinated Notes are not freely transferable under the Exchange Act by Persons who are not "affiliates" under the Securities Act.

The Issuer will also make available copies of all reports furnished to the trustee; (a) on the Issuer's website; and (b) to the newswire service of Bloomberg, or, if Bloomberg does not then operate, any similar agency. In addition, if and so long as the Senior Subordinated Notes are listed on the EuroMFT and the rules of the EuroMFT so require, copies of such reports furnished to the trustee will also be made available at the specified office of the paying agent in Luxembourg.

Consolidation, Merger and Sale of Assets

The Issuer will not, in a single transaction or through a series of transactions, consolidate or merge with or into any other Person or sell, assign, convey, transfer, lease or otherwise dispose of, or take any action pursuant to any resolution passed by the Issuer's board of directors or shareholders with respect to a divestment or division pursuant to which the Issuer would dispose of, all or substantially all of the Issuer's properties and assets to any other Person or Persons and the Issuer will not permit any Restricted Subsidiary to enter into any such transaction or series of transactions if such transaction or series of transactions, in the aggregate, would result in the sale, assignment, conveyance, transfer, lease or other disposition of all or substantially all of the properties and assets of the Issuer and its Restricted Subsidiaries on a consolidated basis to any other Person or Persons. The previous sentence will not apply if at the time and immediately after giving effect to any such transaction or series of transactions:

(a) either (i) the Issuer will be the continuing corporation or (ii) the Person (if other than the Issuer) formed by or surviving any such consolidation or merger or to which such sale, assignment, conveyance, transfer, lease or disposition of all or substantially all the properties and assets of the Issuer and the Restricted Subsidiaries on a consolidated basis has been made (the "Surviving Entity"):

(x) will be a corporation duly incorporated and validly existing under the laws of any member state of the European Union as of the date of the Senior Subordinated Indenture, the Republic of South Africa, the United States of America, any state thereof, or the District of Columbia, and

(y) will expressly assume, by a supplemental Senior Subordinated Indenture in form satisfactory to the trustee, the Issuer's obligations under the Senior Subordinated Notes and the Senior Subordinated Indenture, and the Senior Subordinated Notes and the Senior Subordinated Indenture will remain in full force and effect as so supplemented;

(b) immediately after giving effect to such transaction or series of transactions on a pro forma basis (and treating any obligation of the Issuer or any Restricted Subsidiary incurred in connection with or as a result of such transaction or series of transactions as having been incurred by the Issuer or such Restricted Subsidiary at the time of such transaction) no Default or Event of Default will have occurred and be continuing;

(c) immediately after giving effect to such transaction or series of transactions on a pro forma basis (on the assumption that the transaction or series of transactions occurred on the first day of the four-quarter fiscal period immediately prior to the consummation of such transaction or series of transactions with the appropriate adjustments with respect to the transaction or series of transactions being included in such pro forma calculation), the Issuer (or the Surviving Entity if the Issuer is not the continuing obligor under the Senior Subordinated Indenture) could incur at least €1.00 of additional Debt (other than Permitted Debt) under the provisions of the "Limitation on Debt" covenant;

(d) any Guarantor, unless it is the other party to the transactions described above, will have by supplemental Senior Subordinated Indenture confirmed that its Senior Subordinated Guarantee will apply to such Person's obligations under the Senior Subordinated Indenture and the Senior Subordinated Notes;

(e) if any of the Issuer's or any Restricted Subsidiary's property or assets would thereupon become subject to any Lien, the provisions of the "Limitation on Liens" covenant are complied with; and

(f) the Issuer or the Surviving Entity will have delivered to the trustee, in form and substance satisfactory to the trustee, an Officer's Certificate (attaching the computations to demonstrate compliance with clauses (b) and (c) above) and an opinion of independent counsel, each stating that such consolidation, merger, sale, assignment, conveyance, transfer, lease or other disposition, and if a supplemental Senior Subordinated Indenture is required in connection with such transaction, such supplemental Senior Subordinated Indenture, comply with the requirements of the Senior Subordinated Indenture and that all conditions precedent in the Senior Subordinated Indenture relating to such transaction have been satisfied and that the Senior Subordinated Indenture and the Senior Subordinated Notes constitute legal, valid and binding obligations of the continuing person, enforceable in accordance with their terms.

The Surviving Entity will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Senior Subordinated Indenture, but, in the case of a lease of all or substantially all of the Issuer's assets, the Issuer will not be released from the obligation to pay the principal of, premium, if any, interest and Additional Amounts, if any, on the Senior Subordinated Notes.

Nothing in the Senior Subordinated Indenture will prevent (i) any Wholly Owned Restricted Subsidiary that is not a Guarantor from consolidating with, merging into or transferring all or substantially all of its properties and assets to the Issuer, a Guarantor or any other Wholly Owned Restricted Subsidiary that is not a Guarantor, or (ii) any Guarantor from merging into or transferring all or part of its properties and assets to the Issuer or another Guarantor.

Although there is a limited body of case law interpreting the phrase "all or substantially all", there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The Issuer will publish a notice of any consolidation, merger or sale of assets described above in accordance with the provisions of the Senior Subordinated Indenture described under "—Notices" and, so long as the rules of the EuroMTF so require, notify such exchange of any such consolidation, merger or sale.

Events of Default

(1) Each of the following will be an "Event of Default" under the Senior Subordinated Indenture:

(a) default for 30 days in the payment when due of any interest or any Additional Amounts on any Senior Subordinated Note (whether or not prohibited by the subordination provisions of the Senior Subordinated Indenture);

(b) default in the payment of the principal of or premium, if any, on any Senior Subordinated Note at its Maturity (upon acceleration, optional or mandatory redemption, if any, required repurchase or otherwise) whether or not prohibited by the subordination provisions of the Senior Subordinated Indenture;

(c) failure to comply with the provisions of "—Certain Covenants—Consolidation, Merger and Sales of Assets";

(d) failure to make or consummate an Excess Proceeds Offer in accordance with the provisions of "—Certain Covenants—Limitation on Sale of Certain Assets";

(e) failure to make or consummate a Change of Control Offer in accordance with the provisions of "—Purchase of Senior Subordinated Notes upon a Change of Control";

(f) failure to comply with any covenant or agreement of the Issuer or of any Restricted Subsidiary that is contained in the Senior Subordinated Indenture or any Senior Subordinated Guarantees (other than specified in clause (a), (b), (c), (d) or (e) above) and such failure continues for a period of 30 days or more after the written notice specified in clause (2) below;

(g) default under the terms of any instrument evidencing or securing the Debt of the Issuer or any Restricted Subsidiary having an outstanding principal amount in excess of €10 million individually or in the aggregate, if that default: (x) results in the acceleration of the payment of such Debt or (y) is caused by the failure to pay such Debt at Maturity thereof after giving effect to the expiration of any applicable grace periods (and other than by regularly scheduled required prepayment) and such failure to make any payment has not been waived or the maturity of such Debt has not been extended, and in either case the total amount of such Debt unpaid or accelerated exceeds €10 million or its equivalent at the time;

(h) any Senior Subordinated Guarantee ceases to be, or shall be asserted in writing by any Guarantor, or any Person acting on behalf of any Guarantor, not to be in full force and effect or enforceable in accordance with its terms (other than as provided for in the Senior Subordinated Indenture or any Senior Subordinated Guarantee);

(i) one or more final judgments, orders or decrees (not subject to appeal and not covered by insurance) shall be rendered against the Issuer or any Restricted Subsidiary either individually or in an aggregate amount, in each case in excess of €10 million, and either a creditor shall have commenced an enforcement proceeding upon such judgment, order or decree or there shall have been a period of 30 consecutive days or more during which a stay of enforcement of such judgment, order or decree was not (by reason of pending appeal or otherwise) in effect; and

(j) the occurrence of certain events of bankruptcy, insolvency, receivership or reorganization with respect to the Issuer, a Guarantor or a Significant Subsidiary.

(2) If an Event of Default (other than as specified in clause (1)(j) above) occurs and is continuing, the trustee or the holders of not less than 25% in aggregate principal amount of the Senior Subordinated Notes then outstanding by written notice to the Issuer (and to the trustee if such notice is given by the holders) may, and the trustee, upon the written request of such holders, shall, subject to the provisions of the Senior Subordinated Indenture described under "—Ranking of the Senior Subordinated Notes and Senior Subordinated Guarantees; Subordination", declare the principal of, premium, if any, and any Additional Amounts and accrued interest on all of the outstanding Senior Subordinated Notes immediately due and payable, and upon any such declaration all such amounts payable in respect of the Senior Subordinated Notes will become immediately due and payable.

(3) If an Event of Default specified in clause (1)(j) above occurs and is continuing, then the principal of, premium, if any, and accrued and unpaid interest on all of the outstanding Senior Subordinated Notes shall become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder of Senior Subordinated Notes.

(4) At any time after a declaration of acceleration under the Senior Subordinated Indenture, but before a judgment or decree for payment of the money due has been obtained by the trustee, the holders of a majority in aggregate principal amount of the outstanding Senior Subordinated Notes, by written notice to the Issuer and the trustee, may rescind such declaration and its consequences if:

(a) the Issuer has paid or deposited with the trustee a sum sufficient to pay:

(i) all overdue interest and Additional Amounts, if any, on all Senior Subordinated Notes then outstanding;

(ii) all unpaid principal of and premium, if any, on any outstanding Senior Subordinated Notes that has become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Senior Subordinated Notes;

(iii) to the extent that payment of such interest is lawful, interest upon overdue interest and overdue principal at the rate borne by the Senior Subordinated Notes; and

(iv) all sums paid or advanced by the trustee under the Senior Subordinated Indenture and the reasonable compensation, expenses, disbursements and advances of the trustee, its agents and counsel;

(b) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction; and

(c) all Events of Default, other than the non-payment of amounts of principal of, premium, if any, and any Additional Amounts and interest on the Senior Subordinated Notes that has become due solely by such declaration of acceleration, have been cured or waived.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

(5) The holders of not less than a majority in aggregate principal amount of the outstanding Senior Subordinated Notes may, on behalf of the holders of all the Senior Subordinated Notes, waive any past defaults under the Senior Subordinated Indenture, except a default:

(a) in the payment of the principal of, premium, if any, and Additional Amounts, if any, or interest on any Senior Subordinated Note; or

(b) in respect of a covenant or provision which under the Senior Subordinated Indenture cannot be modified or amended without the consent of the holder of each Senior Subordinated Note outstanding.

(6) No holder of any of the Senior Subordinated Notes has any right to institute any proceedings with respect to the Senior Subordinated Indenture or any remedy thereunder unless, subject to the provisions of the Senior Subordinated Indenture described under "—Ranking of the Senior Subordinated Notes and Senior Subordinated Guarantees; Subordination", the holders of at least 25% in aggregate principal amount of the outstanding Senior Subordinated Notes have made a written request and offered an indemnity reasonably satisfactory to the trustee to institute such proceeding as trustee under the Senior Subordinated Notes and the Senior Subordinated Indenture, the trustee has failed to institute such proceeding within 30 days after receipt of such notice and the trustee within such 30-day period has not received directions inconsistent with such written request by holders of a majority in aggregate principal amount of the outstanding Senior Subordinated Notes. Such limitations do not, however, apply to a suit instituted by a holder of a Senior Subordinated Note for the enforcement of the payment of the principal of, premium, if any, and Additional Amounts or interest on such Senior Subordinated Note on or after the respective due dates expressed in such Senior Subordinated Note.

(7) If a Default or an Event of Default occurs and is continuing and is actually known to the trustee, the trustee will mail to each holder of the Senior Subordinated Notes notice of the Default or Event of Default within 15 Business Days after its occurrence. Except in the case of a Default or an Event of Default in payment of principal of, premium, if any, Additional Amounts or interest on any Senior Subordinated Notes, the trustee may withhold the notice to the holders of such Senior Subordinated Notes if a committee of its trust officers in good faith determines that withholding the notice is in the interests of the holders of the Senior Subordinated Notes.

(8) The Issuer is required to furnish to the trustee annual statements as to the performance of the Issuer and the Restricted Subsidiaries under the Senior Subordinated Indenture and as to any default in such performance. The Issuer is also required to notify the trustee within 15 Business Days of the occurrence of any Default and state what action it is taking in respect of the Default.

Legal Defeasance or Covenant Defeasance of Senior Subordinated Indenture

The Senior Subordinated Indenture will provide that the Issuer may, at its option and at any time prior to the Stated Maturity of the Senior Subordinated Notes, elect to have the obligations of the Issuer and the Guarantors discharged with respect to the outstanding Senior Subordinated Notes ("Legal Defeasance"). Legal Defeasance means that the Issuer will be deemed to have paid and discharged the entire Debt represented by the outstanding Senior Subordinated Notes except as to:

(a) the rights of holders of outstanding Senior Subordinated Notes to receive payments in respect of the principal of, premium, if any, and interest on such Senior Subordinated Notes when such payments are due from the trust referred to below;

(b) the Issuer's obligations to issue temporary Senior Subordinated Notes, register, transfer or exchange any Senior Subordinated Notes, replace mutilated, destroyed, lost or stolen Senior Subordinated Notes, maintain an office or agency for payments in respect of the Senior Subordinated Notes and segregate and hold such payments in trust;

(c) the rights, powers, trusts, duties and immunities of the trustee and the obligations of the Issuer and the Guarantors in connection therewith; and

(d) the Legal Defeasance provisions of the Senior Subordinated Indenture.

In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer and the Guarantors released with respect to certain covenants set forth in the Senior Subordinated Indenture ("Covenant Defeasance") and thereafter any omission to comply with such covenants will not constitute a Default or an Event of Default with respect to the Senior Subordinated Notes. In the event Covenant Defeasance occurs, certain events described under "Events of Default" will no longer constitute an Event of Default with respect to the Senior Subordinated Notes. These events do not include events relating to non-payment, bankruptcy, insolvency, receivership and reorganization. The Issuer may exercise its Legal Defeasance option regardless of whether it has previously exercised Covenant Defeasance.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(a) the Issuer must irrevocably deposit or cause to be deposited in trust with the trustee, for the benefit of the holders of the Senior Subordinated Notes, cash in U.S. dollars, Government Securities, or a combination thereof, in such amounts as will be sufficient, in the opinion of an internationally recognized firm of independent public accountants, to pay and discharge the principal of, premium, if any, Additional Amounts, if any, and interest on the outstanding Senior Subordinated Notes on the Stated Maturity or on the applicable redemption date, as the case may be, and the Issuer must (i) specify whether the Senior Subordinated Notes are being defeased to maturity or to a particular redemption date and (ii) if applicable, have delivered to the trustee an irrevocable notice to redeem all of the outstanding Senior Subordinated Notes of such principal, premium, if any, or interest;

(b) in the case of Legal Defeasance, the Issuer must have delivered to the trustee an opinion of counsel (reasonably acceptable to the trustee) stating that (x) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling, or (y) since the date of the Senior Subordinated Indenture, there has been a change in applicable U.S. federal income tax law, in either case to the effect that (and based thereon such opinion shall confirm that) the holders of the outstanding Senior Subordinated Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(c) in the case of Legal Defeasance, the Issuer must have delivered to the trustee an opinion of counsel (such counsel to be reasonably acceptable to the trustee) to the effect that the holders of the outstanding Senior Subordinated Notes will not recognize income, gain or loss for tax purposes in the Republic of South Africa as a result of such Legal Defeasance and will be subject to tax in the Republic of South Africa on the same amounts, in the same manner and at the same times as would have been the case if such legal defeasance had not occurred;

(d) in the case of Covenant Defeasance, the Issuer must have delivered to the trustee an opinion of counsel (reasonably acceptable to the trustee) to the effect that the holders of the outstanding Senior Subordinated Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(e) in the case of Covenant Defeasance, the Issuer must have delivered to the trustee an opinion of counsel (reasonably acceptable to the trustee) to the effect that the holders of the outstanding Senior Subordinated Notes will not recognize income, gain or loss for tax purposes in the Republic of South Africa as a result of such Covenant Defeasance and will be subject to tax in the Republic of South Africa on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(f) no Default or Event of Default will have occurred and be continuing (i) on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) or (ii) insofar as bankruptcy or insolvency events described in clause (1)(j) of "—Events of Default" above is concerned, at any time during the period ending on the 181st day after the date of such deposit;

(g) such Legal Defeasance or Covenant Defeasance shall not cause the trustee for the Senior Subordinated Notes to have a conflicting interest as defined in the Senior Subordinated Indenture with respect to any of the Issuer's securities;

(h) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit), any material agreement or instrument to which the Issuer or any Restricted Subsidiary is a party or by which the Issuer or any Restricted Subsidiary is bound;

(i) such Legal Defeasance or Covenant Defeasance shall not result in the trust arising from such deposit constituting an investment company within the meaning of the U.S. Investment Company Act of 1940 unless such trust shall be registered under such act or exempt from registration thereunder;

(j) the Issuer must have delivered to the trustee an opinion of independent counsel in the country of the Issuer's incorporation, such counsel to be reasonably acceptable to the trustee, to the effect that after the 181st day following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and an opinion of independent counsel reasonably acceptable to the trustee that the trustee shall have a perfected security interest in such trust funds for the ratable benefit of the holders of the Senior Subordinated Notes;

(k) the Issuer must have delivered to the trustee an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of preferring the holders of the Senior Subordinated Notes over the other creditors of the Issuer with the intent of defeating, hindering, delaying or defrauding creditors of the Issuer or other creditors, or removing assets beyond the reach of the relevant creditors or increasing debts of the Issuer to the detriment of the relevant creditors;

(l) no event or condition shall exist that would prevent the Issuer from making payments of the principal of, premium, if any, and interest on the Senior Subordinated Notes on the date of such deposit or at any time during the period ending on the 181st day after the date of such deposit; and

(m) the Issuer must have delivered to the trustee an Officer's Certificate and an opinion of counsel (such counsel to be reasonably acceptable to the trustee) each stating that all conditions precedent provided for relating to the Legal Defeasance or the Covenant Defeasance, as the case may be, have been complied with.

If the funds deposited with the trustee to effect Covenant Defeasance are insufficient to pay the principal of, premium, if any, and interest on the Senior Subordinated Notes when due because of any acceleration occurring after an Event of Default, then the Issuer and the Guarantors will remain liable for such payments.

Satisfaction and Discharge

The Senior Subordinated Indenture will be discharged and will cease to be of further effect (except as to surviving rights of registration of transfer or exchange of the Senior Subordinated Notes as expressly provided for in the Senior Subordinated Indenture) when:

(a) the Issuer has irrevocably deposited or caused to be deposited with the trustee as funds in trust for such purpose an amount in U.S. dollars or Government Securities sufficient to pay and discharge the entire Debt on such Senior Subordinated Notes that have not, prior to such time, been delivered to the trustee for cancellation, for principal of, premium, if any, and any Additional Amounts and accrued and unpaid interest on the Senior Subordinated Notes to the date of such deposit (in the case of Senior Subordinated Notes which have become due and payable) or to the Stated Maturity or redemption date, as the case may be and the Issuer has delivered irrevocable instructions to the trustee under the Senior Subordinated Indenture to apply the deposited money toward the payment of Senior Subordinated Notes at Maturity or on the redemption date, as the case may be and either:

(i) all the Senior Subordinated Notes that have been authenticated and delivered (other than destroyed, lost or stolen Senior Subordinated Notes that have been replaced or paid and Senior Subordinated Notes for whose payment money has been deposited in trust or segregated and held in trust by the Issuer and thereafter repaid to the Issuer or discharged from such trust as provided for in the Senior Subordinated Indenture) have been delivered to the trustee for cancellation; or

(ii) all Senior Subordinated Notes that have not been delivered to the trustee for cancellation (x) have become due and payable (by reason of the mailing of a notice of redemption or otherwise), (y) will become due and payable at Stated Maturity within one year or (z) are to be called for redemption within one year under arrangements satisfactory to the trustee for the giving of notice of redemption by the trustee in the Issuer's name and at the Issuer's expense; and

(b) the Issuer has paid or caused to be paid all sums payable by the Issuer under the Senior Subordinated Indenture; and

(c) the Issuer has delivered to the trustee an Officer's Certificate and an opinion of counsel (such counsel to be reasonably acceptable to the trustee) each stating that:

(i) all conditions precedent provided in the Senior Subordinated Indenture relating to the satisfaction and discharge of the Senior Subordinated Indenture have been satisfied; and

(ii) such satisfaction and discharge will not result in a breach or violation of, or constitute a default under, the Senior Subordinated Indenture or any other agreement or instrument to which the Issuer or any Subsidiary is a party or by which the Issuer or any Subsidiary is bound.

Amendments and Waivers

The Senior Subordinated Indenture will contain provisions permitting the Issuer, the Guarantors and the trustee to enter into a supplemental Senior Subordinated Indenture without the consent of the holders of the Senior Subordinated Notes for certain limited purposes, including, among other things, curing ambiguities, defects or inconsistencies, provided that such changes do not adversely affect the rights of any holder of the Senior Subordinated Notes in any material respect. With the consent of the holders of not less than a majority in aggregate principal amount of the Senior Subordinated Notes then outstanding, the Issuer, the Guarantors and the trustee are permitted to amend or supplement the Senior Subordinated Indenture, the Senior Subordinated Notes or the Guarantees; provided that no such modification or amendment may, without the consent of the holder of each outstanding Senior Subordinated Note affected thereby:

(a) change the Stated Maturity of the principal of, or any installment of or Additional Amounts or interest on, any Senior Subordinated Note;

(b) reduce the principal amount of any Senior Subordinated Note (or Additional Amounts or premium, if any) or the rate of or change the time for payment of interest on any Senior Subordinated Note;

(c) change the coin or currency in which the principal of any Senior Subordinated Note or any premium or any Additional Amounts or the interest thereon is payable;

(d) impair the right to institute suit for the enforcement of any payment of any Senior Subordinated Note in accordance with the provisions of such Senior Subordinated Note and the Senior Subordinated Indenture;

(e) amend, change or modify the obligation to make and consummate an Excess Proceeds Offer with respect to any Asset Sale in accordance with the "Limitation on Sale of Certain Assets" covenant or the obligation to make and consummate a Change of Control offer in the event of a Change of Control in accordance with the "Purchase of Senior Subordinated Notes upon a Change of Control" covenant, including, in each case, amending, changing or modifying any definition relating thereto;

(f) reduce the principal amount of Senior Subordinated Notes whose holders must consent to any amendment, supplement or waiver of provisions of the Senior Subordinated Indenture;

(g) modify any of the provisions relating to supplemental Senior Subordinated Indentures requiring the consent of holders of the Senior Subordinated Notes or relating to the waiver of past defaults or relating to the waiver of certain covenants, except to increase the percentage of outstanding Senior Subordinated Notes required for such actions or to provide that certain other provisions of the Senior Subordinated Indenture cannot be modified or waived without the consent of the holder of each Senior Subordinated Note affected thereby;

(h) except as otherwise permitted under "—Certain Covenants—Consolidation, Merger and Sale of Assets", consent to the assignment or transfer by the Issuer of any of the Issuer's rights or obligations under the Senior Subordinated Indenture;

(i) voluntarily release any Senior Subordinated Guarantees except in compliance with the terms of the Senior Subordinated Indenture and the Senior Secured Subordination Agreement;

(j) make any change to any provisions of the Senior Subordinated Indenture affecting the ranking of the Senior Subordinated Notes or the Senior Subordinated Guarantees, in each case in a manner that adversely affects the rights of the holders of the Senior Subordinated Notes; or

(k) make any change in the provisions of the Senior Subordinated Indenture described under "—Additional Amounts" that adversely affects the rights of any holder of the Senior Subordinated Notes or amend the terms of the Senior Subordinated Notes or the Senior Subordinated Indenture in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Issuer or the Guarantors agree to pay Additional Amounts, if any, in respect thereof in the supplemental Senior Subordinated Indenture.

Notwithstanding the foregoing, without the consent of any holder of the Senior Subordinated Notes, the Issuer, the Guarantors and the trustee may modify, amend or supplement the Senior Subordinated Indenture:

(i) to evidence the succession of another Person to the Issuer and the assumption by any such successor of the covenants in the Senior Subordinated Indenture and in the Senior Subordinated Notes or a Guarantor's Guarantee in accordance with "—Certain Covenants—Consolidation, Merger and Sale of Assets";

(ii) to add to the Issuer's covenants and those of any Guarantor or any other obligor upon the Senior Subordinated Notes for the benefit of the holders of the Senior Subordinated Notes or to surrender any right or power conferred upon the Issuer or any Guarantor or any other obligor upon the Senior Subordinated Notes, as applicable, in the Senior Subordinated Indenture, in the Senior Subordinated Notes or in any Senior Subordinated Guarantees;

(iii) to cure any ambiguity, or to correct or supplement any provision in the Senior Subordinated Indenture, the Senior Subordinated Notes or any Senior Subordinated Guarantees that may be defective or inconsistent with any other provision in the Senior Subordinated Indenture, the Senior Subordinated Notes or any Senior Subordinated Guarantees or make any other provisions with respect to matters or questions arising under the Senior Subordinated Indenture, the Senior Subordinated Notes or any Senior Subordinated Guarantees; provided that, in each case, such provisions shall not adversely affect the interests of the holders of the Senior Subordinated Notes in any material respect;

(iv) to conform the text of the Senior Subordinated Indenture, the Senior Subordinated Notes or the Senior Subordinated Guarantees to any provision of this "Description of the Senior Subordinated Notes" to the extent that such provision in this "Description of the Senior Subordinated Notes" was intended to be a verbatim recitation of a provision of the Senior Subordinated Indenture, the Senior Subordinated Notes or the Senior Subordinated Guarantees;

(v) to release any Guarantor in accordance with and if permitted by the terms of and limitations set forth in the Senior Subordinated Indenture and the Senior Secured Subordination Agreement to add a Guarantor or other guarantor under the Senior Subordinated Indenture;

(vi) to evidence and provide the acceptance of the appointment of a successor trustee under the Senior Subordinated Indenture;

(vii) to mortgage, pledge, hypothecate or grant a security interest in favor of the trustee for the benefit of the holders of the Senior Subordinated Notes as additional security for the payment and performance of the Issuer's and any Guarantor's obligations under the Senior Subordinated Indenture, in any property, or assets, including any of which are required to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the trustee pursuant to the Senior Subordinated Indenture or otherwise; or

(viii) to provide for the issuance of Additional Senior Subordinated Notes in accordance with and if permitted by the terms of and limitations set forth in the Senior Subordinated Indenture.

In formulating its opinion on such matters, the trustee shall be entitled to require and rely on an opinion of counsel (such counsel to be reasonably acceptable to the trustee) and an Officer's Certificate.

The holders of a majority in aggregate principal amount of the Senior Subordinated Notes outstanding may waive compliance with certain restrictive covenants and provisions of the Senior Subordinated Indenture.

The Senior Subordinated Indenture will provide that without the consent of the holders of the Senior Subordinated Notes the trustee is authorized to, and upon the request of the Issuer will, enter into any new or additional intercreditor deed to which the Issuer or any Guarantor is a party, provided, among other things, that:

(a) there is no Default or Event of Default under the Senior Subordinated Indenture;

(b) the trustee receives from the Issuer an Officer's Certificate to the effect of (a) above; and

(c) the new or additional intercreditor deed does not affect the ranking of the Senior Subordinated Notes or the Senior Subordinated Guarantees, or otherwise adversely affect the rights of the holders of the Senior Subordinated Notes.

For so long as the Senior Subordinated Notes are listed on the EuroMTF and the rules of such exchange so require, the Issuer will notify the EuroMTF of any such amendment, supplement and waiver.

Notices

Notices regarding the Senior Subordinated Notes will be:

(a) (i) made available to the newswire service of Bloomberg or, if Bloomberg does not then operate, any similar agency and (ii) if at the time of such notice the Senior Subordinated Notes are listed on the EuroMTF and the rules and regulations of the EuroMTF so require, in the *d'Wort* (or another leading newspaper having a general circulation in Luxembourg); and

(b) in the case of certificated Senior Subordinated Notes, (i) mailed to holders of such Senior Subordinated Notes by first class mail at their respective addresses as they appear on the registration books of the registrar and (ii) if at the time of such notice the Senior Subordinated Notes are listed on the EuroMTF and the rules and regulations of the EuroMTF so require, in the *d'Wort* (or another leading newspaper having a general circulation in Luxembourg).

Notices given by first class mail will be deemed given five calendar days after mailing and notices given by publication will be deemed given on the first date on which publication is made.

If and so long as the Senior Subordinated Notes are listed on any other securities exchange, notices will also be given in accordance with any applicable requirements of such securities exchange.

The Trustee

The Senior Subordinated Indenture will directly or by reference, contain limitations on the rights of the trustee under the Senior Subordinated Indenture in the event the trustee becomes a creditor of the Issuer or any Guarantor. These include limitations on the trustee's rights to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise.

The Senior Subordinated Indenture will contain provisions for the indemnification of the trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified to its satisfaction.

Governing Law

The Senior Subordinated Indenture, the Senior Subordinated Notes and the Senior Subordinated Guarantees will be governed by and construed in accordance with the laws of New York.

Certain Definitions

"***Acquired Debt***" means Debt of a Person:

(a) existing at the time such Person becomes a Restricted Subsidiary or is merged into or consolidated with the Issuer or any Restricted Subsidiary, or

(b) assumed in connection with the acquisition of assets from any such Person,

in each case provided that such Debt was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary or such acquisition, as the case may be.

Acquired Debt will be deemed to be incurred on the date the acquired Person becomes a Restricted Subsidiary or the date of the related acquisition of assets from any Person.

"***Affiliate***" means, with respect to any specified Person:

(a) any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person, or

(b) any other Person that owns, directly or indirectly, 10% or more of such specified Person's Capital Stock or any officer or director of any such specified Person or other Person, or

(c) any other Person 10% or more of the Voting Stock of which is beneficially owned or held, directly or indirectly by such specified Person.

For the purposes of this definition, "***control***", when used with respect to any specified Person, means the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling", "controlled" have meanings correlative to the foregoing.

"***Asset Sale***" means any sale, issuance, conveyance, transfer, lease or other disposition (including, without limitation, by way of merger, consolidation or sale and leaseback transaction) (collectively, a "transfer"), directly or indirectly, in one or a series of related transactions, of:

(a) any Capital Stock of any Restricted Subsidiary (other than directors' qualifying shares or shares required by applicable law to be held by a Person other than the Issuer or a Restricted Subsidiary);

(b) all or substantially all of the properties and assets of any division or line of business of the Issuer or any Restricted Subsidiary; or

(c) any other of the Issuer's or any Restricted Subsidiary's properties or assets.

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(i) any transfer or disposition of assets that is governed by the provisions of the Senior Subordinated Indenture described under "—Certain Covenants—Consolidation, Merger and Sale of Assets" and "—Certain Covenants—Purchase of Senior Subordinated Notes upon a Change of Control";

(ii) any transfer or disposition of assets by the Issuer to any Guarantor, by any Restricted Subsidiary to the Issuer or any Guarantor, or between or among Restricted Subsidiaries (including any person that becomes a Restricted Subsidiary in connection with such transaction), in each case in accordance with the terms of the Senior Subordinated Indenture;

(iii) any disposition of accounts receivable and related assets in a Permitted Receivables Financing;

(iv) any single transaction or series of related transactions that involves assets or Capital Stock having a Fair Market Value of less than €1 million;

(v) for the purposes of "—Certain Covenants—Limitation on Sale of Certain Assets" only, the making of a Permitted Investment or a Restricted Payment that is permitted under "—Certain Covenants—Limitation on Restricted Payments";

(vi) the sale or discount of accounts receivable in the ordinary course of business in connection with any Permitted Receivables Financing;

(vii) the licensing or sublicensing of rights to intellectual property or other intangibles in the ordinary course of business;

(viii) any disposition constituting or resulting from the enforcement of a lien or the liquidation, administration or winding up of a Restricted Subsidiary;

(ix) any disposition of our Investment in Virgin Mobile joint venture for no cash consideration;

(x) the sale, lease or other disposition of communications capacity equipment, inventory or other assets (including obsolete, worn out or outdated equipment) in the ordinary course of business;

(xi) the lease, assignment or sublease of any real or personal property in the ordinary course of business;

(xii) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary;

(xiii) sales of assets received by the Issuer or any Restricted Subsidiary upon the foreclosure on a Lien granted in favor of the Issuer or any Restricted Subsidiary;

(xiv) the sale or maturity or other disposition of Cash Equivalents;

(xv) any sale or disposition deemed to occur in connection with granting or creating a Permitted Lien;

(xvi) the surrender or waiver of contract rights or the settlement, release, or surrender of contract, tort or other claims, in the ordinary course of business; or

(xvii) any disposition of Capital Stock, Debt or other securities of an Unrestricted Subsidiary.

"***Attributable Debt***" means, with respect to any sale and leaseback transaction at the time of determination, the present value (discounted at the interest rate implicit in the lease determined in accordance with GAAP or, if not known, at the Issuer's incremental borrowing rate) of the total obligations of the lessee of the property

subject to such lease for rental payments during the remaining term of the lease included in such sale and leaseback transaction, including any period for which such lease has been extended or may, at the option of the lessor, be extended, or until the earliest date on which the lessee may terminate such lease without penalty or upon payment of penalty (in which case the rental payments shall include such penalty), after excluding from such rental payments all amounts required to be paid on account of maintenance and repairs, insurance, taxes, assessments, water, utilities and similar charges.

"***Average Life***" means, as of the date of determination with respect to any Debt, the quotient obtained by dividing:

(a) the sum of the products of:

(i) the numbers of years from the date of determination to the date or dates of each successive scheduled principal payment of such Debt multiplied by

(ii) the amount of each such principal payment;

by

(b) the sum of all such principal payments.

"***Business Day***" means a day other than a Saturday, Sunday or other day on which banking institutions in Frankfurt, London, New York, Johannesburg or a place of payment under the Senior Subordinated Indenture are authorized or required by law to close.

"***Capitalized Lease Obligation***" means, with respect to any Person, any obligation of such Person under a lease of (or other agreement conveying the right to use) any property (whether real, personal or mixed), which obligation is required to be classified and accounted for as a capital lease obligation under GAAP, and, for purposes of the Senior Subordinated Indenture, the amount of such obligation at any date will be the capitalized amount thereof at such date, determined in accordance with GAAP and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

"***Capital Stock***" means, with respect to any Person, any and all shares, interests, partnership interests (whether general or limited), participations, rights in or other equivalents (however designated) of such Person's equity, any other interest or participation that confers the right to receive a share of the profits and losses, or distributions of assets of, such Person and any rights (other than debt securities convertible into or exchangeable for Capital Stock), warrants or options exchangeable for or convertible into such Capital Stock, whether now outstanding or issued after the date of the Senior Subordinated Indenture.

"***Cash Equivalents***" means any of the following:

(a) any evidence of Debt denominated in euro, Sterling, rand or dollars with a maturity of one year or less from the date of acquisition issued or directly and fully guaranteed or insured by a member state (an "EU Member State") of the European Union whose sole lawful currency on the date of the Senior Subordinated Indenture is the euro, the government of the United Kingdom of Great Britain and Northern Ireland, the government of the Republic of South Africa, the United States of America, any state thereof or the District of Columbia, or any agency or instrumentality thereof;

(b) time deposit accounts, certificates of deposit, money market deposits or bankers' acceptances denominated in euro, Sterling, rand or dollars with a maturity of one year or less from the date of acquisition issued by a bank or trust company organized in an EU Member State, the United Kingdom of Great Britain and Northern Ireland, the Republic of South Africa or any commercial banking institution that is a member of the U.S. Federal Reserve System, in each case having combined capital and surplus and undivided profits of not less than €500 million, whose debt has a rating, at the time any investment is made therein, of at least A or the equivalent thereof by S&P and at least A2 or the equivalent thereof by Moody's;

(c) commercial paper with a maturity of 180 days or less from the date of acquisition issued by a corporation that is not the Issuer's or any Restricted Subsidiary's Affiliate and is incorporated under the laws of an EU Member State, England and Wales, the Republic of South Africa, the United States of America or any state thereof and, at the time of acquisition, rated at least A-1 or the equivalent thereof by S&P or at least P-l or the equivalent thereof by Moody's;

(d) repurchase obligations with a term of not more than seven days for underlying securities of the type described in clause (a) above entered into with a financial institution meeting the qualifications described in clause (b) above; and

(e) Investments in money market mutual funds at least 95% of the assets of which constitute Cash Equivalents of the kind described in clauses (a) through (d) above.

"***Change of Control***" has the meaning given to such term under "—Purchase of Senior Subordinated Notes upon a Change of Control".

"***Commission***" means the U.S. Securities and Exchange Commission.

"***Consolidated Adjusted Net Income***" means, for any period, the Issuer's and the Restricted Subsidiaries' consolidated net income (or loss) for such period as determined in accordance with GAAP, adjusted by excluding (to the extent included in such consolidated net income or loss), without duplication:

(a) any net after-tax extraordinary gains or losses;

(b) any net after-tax gains or losses attributable to sales of assets of the Issuer or any Restricted Subsidiary that are not sold in the ordinary course of business;

(c) the portion of net income (but not the loss) of any Person (other than the Issuer or a Restricted Subsidiary), including Unrestricted Subsidiaries, in which the Issuer or any Restricted Subsidiary has an equity ownership interest, except that the Issuer's or a Restricted Subsidiary's equity in the net income of such Person for such period shall be included in such Consolidated Adjusted Net Income to the extent of the aggregate amount of dividends or other distributions actually paid to the Issuer or any Restricted Subsidiary in cash dividends or other distributions during such period;

(d) the net income (but not the loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary is not at the date of determination permitted, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary or its shareholders (other than restrictions contained in the Credit Facilities and related agreements permitted by clause 2(a) of "—Certain Covenants—Limitation on Debt");

(e) net after-tax gains attributable to the termination of any employee pension benefit plan;

(f) any restoration to net income of any contingency reserve, except to the extent provision for such reserve was made out of income accrued at any time following the date of the Senior Subordinated Indenture;

(g) any net gain arising from the acquisition of any securities or extinguishment, under GAAP, of any Debt of such Person;

(h) the net income attributable to discontinued operations (including, without limitation, operations disposed of during such period whether or not such operations were classified as discontinued);

(i) any net gains (but not losses) from currency exchange transactions not in the ordinary course of business; and

(j) the cumulative effect of a change in accounting principles after the date of the Senior Subordinated Indenture.

"***Consolidated EBITDA***" means, for any period, the Consolidated Adjusted Net Income for such period, plus, without duplication, the following, to the extent deducted in calculating such Consolidated Adjusted Net Income:

(a) Consolidated Tax Expense;

(b) Consolidated Interest Expense;

(c) depreciation expense of the Issuer and its consolidated Restricted Subsidiaries;

(d) amortization expense of the Issuer and its consolidated Restricted Subsidiaries (excluding amortization any such noncash charge to the extent it represents an accrual of or reserve for cash expenditures in any future period) less all non-cash items of income of the Issuer and its consolidated Restricted Subsidiaries (excluding any such non-cash item of income to the extent it will result in receipt of cash payments in any future period);

(e) other non-cash charges reducing Consolidated Net Income (excluding any such non-cash charge to the extent it represents an accrual of or reserve for cash charges in any future period);

(f) amounts written off, financial assets and investments held as current assets; and

(g) realized foreign exchange gains or losses,

in each case, for such period.

Notwithstanding the foregoing, the provision for taxes based on the income or profits of, and the depreciation and amortization and non-cash charges of, a Restricted Subsidiary of the Issuer shall be added to Consolidated Adjusted Net Income to compute EBITDA only to the extent (and in the same proportion) that the net income of such Restricted Subsidiary was included in calculating Consolidated Adjusted Net Income and only to the extent that a corresponding amount would be permitted at the date of determination to be dividended or distributed, directly or indirectly, to the Issuer by such Restricted Subsidiary without breaching or violating a restriction, directly or indirectly, applicable to such Restricted Subsidiary.

"***Consolidated Interest Expense***" means, for any period, without duplication and in each case determined on a consolidated basis in accordance with GAAP, the sum of:

(a) the Issuer's and the Restricted Subsidiaries' total interest expense for such period, including, without limitation

(i) amortization of debt discount;

(ii) the net costs of Interest Rate Agreements and Currency Agreements (including amortization of fees and discounts);

(iii) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing and similar transactions; and

(iv) the interest portion of any deferred payment obligation and amortization of debt issuance costs; plus

(b) the interest component of the Issuer's and the Restricted Subsidiaries' Capitalized Lease Obligations accrued and/or scheduled to be paid or accrued during such period other than the interest component of Capitalized Lease Obligations between or among the Issuer and any Restricted Subsidiary or between or among Restricted Subsidiaries; plus

(c) the Issuer's and the Restricted Subsidiaries non-cash interest expenses and interest that was capitalized during such period; plus

(d) the interest expense on Debt of another Person to the extent such Debt is guaranteed by the Issuer or any Restricted Subsidiary or secured by a Lien on the Issuer's or any Restricted Subsidiary's assets, but only to the extent that such interest is actually paid by the Issuer or such Restricted Subsidiary,

provided that the term "Consolidated Interest Expense" shall not include interest on the Deeply Subordinated Shareholder Loans.

"***Consolidated Leverage Ratio***" means, as of any date of determination, the ratio of:

(a) the outstanding Debt of the Issuer and its Restricted Subsidiaries on a consolidated basis, to

(b) the Pro Forma EBITDA for the period of the most recent four consecutive fiscal quarters for which financial statements have previously been furnished to holders of the Senior Subordinated Notes pursuant to the covenant described under "Certain Covenants—Report to Holders."

"***Consolidated Net Debt Leverage Ratio***" means, as of any date of determination, the ratio of:

(a) the outstanding Debt less cash and Cash Equivalents of the Issuer and its Restricted Subsidiaries on a consolidated basis, to

(b) the Pro Forma EBITDA for the period of the most recent four consecutive fiscal quarters for which financial statements have previously been furnished to holders of the Senior Subordinated Notes pursuant to the covenant described under "Certain Covenants—Report to Holders."

"***Consolidated Net Worth***" means, at any date, the total amount of the Issuer's and the Restricted Subsidiaries' shareholders' equity as set forth on the Issuer's and the Restricted Subsidiaries' most recently

available quarterly or annual consolidated balance sheet, less the amount of such shareholders' equity attributable to Redeemable Capital Stock or any equity security convertible into or exchangeable for Debt, the cost of the Issuer's and any Restricted Subsidiary's treasury stock, the principal amount of any promissory Senior Subordinated Notes receivable from the sale of the Issuer's and any Restricted Subsidiary's Capital Stock and less, to the extent included in calculating such shareholders' equity, the amount attributable to Unrestricted Subsidiaries, in each case as determined on a consolidated basis in accordance with GAAP.

"***Consolidated Tax Expense***" means, for any period with respect to any Relevant Taxing Jurisdiction, the provision for all national, local and foreign federal, state or other income taxes of the Issuer and the Restricted Subsidiaries for such period as determined on a consolidated basis in accordance with GAAP.

"***Credit Facility***" or "***Credit Facilities***" means, one or more debt facilities or indentures, as the case may be, (including the New Revolving Credit Facility) and any Permitted Receivables Financing or commercial paper facilities with banks, insurance companies or other institutional lenders providing for revolving credit loans, term loans, notes, letters of credit or other forms of guarantees and assurances or other credit facilities or extensions of credit, including overdrafts, in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced in whole or in part from time to time.

"***Currency Agreements***" means, in respect of a Person, any spot or forward foreign exchange agreements and currency swap, currency option or other similar financial agreements or arrangements designed to protect such Person against or manage exposure to fluctuations in foreign currency exchange rates.

"***Debt***" means, with respect to any Person, without duplication:

(a) all liabilities of such Person for borrowed money (including overdrafts) or for the deferred purchase price of property or services, excluding any trade payables and other accrued current liabilities incurred in the ordinary course of business;

(b) all obligations of such Person evidenced by bonds, notes, debentures or other similar instruments;

(c) all obligations, contingent or otherwise, of such Person in connection with any letters of credit, bankers' acceptances, receivables facilities or other similar facilities;

(d) all indebtedness of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even if the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), but excluding trade payables arising in the ordinary course of business;

(e) all Capitalized Lease Obligations of such Person;

(f) all obligations of such Person under or in respect of Interest Rate Agreements and Currency Agreements;

(g) all Debt referred to in (but not excluded from) the preceding clauses (a) through (f) of other Persons and all dividends of other Persons, the payment of which is secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Lien upon or with respect to property (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Debt (the amount of such obligation being deemed to be the lesser of the Fair Market Value of such property or asset and the amount of the obligation so secured);

(h) all guarantees by such Person of Debt referred to in this definition of any other Person;

(i) all Redeemable Capital Stock of such Person valued at the greater of its voluntary maximum fixed repurchase price and involuntary maximum fixed repurchase price plus accrued and unpaid dividends; and

(j) Preferred Stock of any Restricted Subsidiary,

in each case, to the extent it appears as a liability on the balance sheet in accordance with GAAP.

provided that the term "Debt" shall not include (i) non-interest bearing installment obligations and accrued liabilities incurred in the ordinary course of business that are not more than 90 days past due; (ii) Debt in respect of the incurrence by the Issuer or any Restricted Subsidiary of Debt in respect of standby letters of credit, performance bonds or surety bonds provided by the Issuer or any Restricted Subsidiary in the ordinary course of business to the extent such letters of credit or bonds are not drawn upon or, if and to the extent drawn upon are

honored in accordance with their terms and if, to be reimbursed, are reimbursed no later than the fifth business day following receipt by such Person of a demand for reimbursement following payment on the letter of credit or bond; (iii) anything accounted for as an operating lease in accordance with GAAP as at the date of the Senior Subordinated Indenture; (iv) any pension obligations of the Issuer or a Restricted Subsidiary; (v) Debt incurred by the Issuer or one of the Restricted Subsidiaries in connection with a transaction where (x) such Debt is borrowed from a bank or trust company incorporated in any member state of the European Union as of the date of the Senior Subordinated Indenture, or any commercial banking institution that is a member of the U.S. Federal Reserve System, in each case having a combined capital and surplus and undivided profits of not less than €500 million, whose debt has a rating immediately prior to the time such transaction is entered into, of at least A or the equivalent thereof by S&P and A2 or the equivalent thereof by Moody's and (y) a substantially concurrent Investment is made by the Issuer or a Restricted Subsidiary in the form of cash deposited with the lender of such Debt, or a Subsidiary or affiliate thereof, in amount equal to such Debt; and (vi) Debt constituting Deeply Subordinated Shareholder Loans.

For purposes of this definition, the "maximum fixed repurchase price" of any Redeemable Capital Stock that does not have a fixed redemption, repayment or repurchase price will be calculated in accordance with the terms of such Redeemable Capital Stock as if such Redeemable Capital Stock were purchased on any date on which Debt will be required to be determined pursuant to the Senior Subordinated Indenture, and if such price is based upon, or measured by, the fair market value of such Redeemable Capital Stock, such fair market value will be determined in good faith by the management board or board of directors, as the case may be, of the issuer of such Redeemable Capital Stock; provided, that if such Redeemable Capital Stock is not then permitted to be redeemed, repaid or repurchased, the redemption, repayment or repurchase price shall be the book value of such Redeemable Capital Stock as reflected in the most recent financial statements of such Person.

"***Deeply Subordinated Shareholder Loans***" means, collectively, any funds provided to the Issuer by any Permitted Holder or any other holder of Capital Stock of the Issuer or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Deeply Subordinated Shareholder Loan provided that such Deeply Subordinated Shareholder Loan:

(a) does not (including upon the happening of any event) mature or require any amortization or other payment of principal prior to the first anniversary of the maturity of the Senior Subordinated Notes (other than through conversion or exchange of any such security or instrument for Qualified Capital Stock or for any other security or instrument meeting the requirements of the definition);

(b) does not (including upon the happening of any event) require the payment in cash or otherwise, of interest or any other amounts prior to the first anniversary of the Senior Subordinated Notes (provided that interest may accrete while such Deeply Subordinated Shareholder Loan is outstanding and accretion interest may become due upon maturity as permitted by clause (a) or acceleration of maturity as permitted by clause (c) below and any interest may be satisfied at any time by the issue to the holders thereof of additional Deeply Subordinated Shareholder Loans);

(c) does not (including upon the happening of any event) provide for the acceleration of its maturity and its holders have no right (including upon the happening of any event) to declare a default or event of default or take any enforcement action, prior to the first anniversary of the maturity of the Notes;

(d) is not secured by a lien or any assets of the Issuer or a Restricted Subsidiary and is not guaranteed by any Subsidiary of the Issuer;

(e) is contractually subordinated and junior in right of payment to the prior payment in full in cash of all obligations (including principal, interest, premium (if any) and Additional Amounts (if any)) of the Issuer under the Senior Subordinated Notes and the Senior Subordinated Indenture such that:

(i) the Issuer shall make no payment in respect of such Deeply Subordinated Shareholder Loans (whether in cash, securities or otherwise, except as permitted by clause (a) or (b) above) and may not acquire such Deeply Subordinated Shareholder Loans except as permitted by the Senior Subordinated Indenture until the prior payment in full in cash of all obligations in respect of the Senior Subordinated Notes and the Senior Subordinated Indenture.

(ii) upon any total or partial liquidation, dissolution or winding up of the Issuer or in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to the Issuer or its property, the holders of the Senior Subordinated Notes will be entitled to receive payment in full in cash of the obligations under the Senior Subordinated Notes and the Senior Subordinated Indenture, including

Additional Amounts, if any, before the providers of such Deeply Subordinated Shareholder Loans will be entitled to receive any payment in respect of such Deeply Subordinated Shareholder Loans;

(iii) such Deeply Subordinated Shareholder Loans may not be amended such that it would cease to qualify as Deeply Subordinated Shareholder Loans until a date that is after the prior payment in full in cash of all obligations in respect of the Senior Subordinated Notes and the Senior Subordinated Indenture;

(iv) the providers of such Deeply Subordinated Shareholder Loans shall assign any rights to vote, including by way of proxy, in a bankruptcy, insolvency or similar proceeding to the relevant trustee to the extent necessary to give effect to the priority and subordination provisions described in this definition;

(v) the providers of such Deeply Subordinated Shareholder Loans shall agree that, in the event any payment on such Deeply Subordinated Shareholder Loans is received by such provider in contravention of its terms and any applicable subordination agreement, then such payment shall be held in trust for the benefit of, and shall be paid over or delivered to, the trustee, on behalf of the holders of the Senior Subordinated Notes as their interest may appear;

(f) does not (including upon the happening of any event) restrict the payment of amounts due in respect of the Senior Subordinated Notes or compliance by the Issuer with its obligations under the Senior Subordinated Notes and the Senior Subordinated Indenture;

(g) does not (including upon the happening of any event) constitute Voting Stock; and

(h) is not (including upon the happening of any event) mandatorily convertible or exchangeable, or convertible or exchangeable at the option of the holder, in whole or in part, prior to the date on which the Notes mature other than into or for Qualified Capital Stock of the Issuer,

provided that any event or circumstance that results in such Subordinated Debt ceasing to qualify as Deeply Subordinated Shareholder Loans shall (x) constitute an incurrence of such Debt by the Issuer and (y) reduce the sum described in clause (c) of paragraph (2) of "—Certain Covenants—Limitation on Restricted Payments," by an amount equal to the principal amount of such Debt, and any and all Restricted Payments made since the date of the original issuance of such Deeply Subordinated Shareholder Loans shall constitute new Restricted Payments that must satisfy the covenant described under "—Certain Covenants—Limitation on Restricted Payments" at a time on or after the date of the original issuance of such Deeply Subordinated Shareholder Loans after giving effect to the reduction referred to above in clause (y) of this sentence.

"***Default***" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"***Designated Senior Debt***" means (a) any Debt outstanding under the Senior Secured Notes and (b) any other Senior Debt permitted under the Senior Subordinated Indenture the principal amount of which is €25 million or more as of the date of determination and that has been designated by the Issuer or the relevant Restricted Subsidiary as "Designated Senior Debt".

"***Disinterested Director***" means, with respect to any transaction or series of related transactions, a member of the Issuer's board of directors who does not have any material direct or indirect financial interest in or with respect to such transaction or series of related transactions or is not an Affiliate, or an officer, director, or employee of any Person (other than the Issuer) who has any direct or indirect financial interest in or with respect to such transaction or series of related transactions.

"***dollars***" means the lawful currency of the United States of America.

"***Enforcement Action***" means, in relation to any Debt of the Issuer or a Guarantor, any action (whether taken by the relevant creditor or creditors or an agent or trustee on its or their behalf) to:

(a) demand payment, declare prematurely due and payable or otherwise seek to accelerate payment of or place on demand all or any part of such Debt or to require the Issuer or a Guarantor to redeem or purchase any part of such Debt;

(b) recover all or any part of such Debt (including, by exercising any rights of set-off or combination of accounts);

(c) exercise or enforce any security right against sureties or any other rights under any other document or agreement in relation to (or given in support of) all or any part of such Debt (including under any security documents);

(d) commence legal or arbitration proceedings against any Person; or

(e) apply or petition or vote for (or take any other steps which may reasonably be expected to lead to) any Insolvency Event,

provided that neither (i) any legal proceedings not falling within clause (a) through (e) above necessary to preserve the validity and existence of claims, including the commencement of such claims before any court or governmental authority nor (ii) legal proceedings against the Issuer or any Guarantor to challenge the basis on which any sale or disposal is being implemented nor (iii) legal proceedings against any person in connection with any securities violation or fraud shall, in each case, constitute Enforcement Action.

"***euro***" or "***€***" means the lawful currency of the member states of the European Union who have agreed to share a common currency in accordance with the provisions of the Maastricht Treaty dealing with European monetary union.

"***Euro Equivalent***" means, with respect to any monetary amount in a currency other than euro, at any time for the determination thereof, the amount of euro obtained by converting such foreign currency involved in such computation into euro at the spot rate for the purchase of euro with the applicable foreign currency as published under "Currency Rates" in the section of the *Financial Times* entitled "Currencies, Bonds & Interest Rates" on the date two Business Days prior to such determination.

"***Exchange Act***" means the U.S. Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

"***Fair Market Value***" means, with respect to any asset or property, the sale value that would be obtained in an arm's length free market transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Issuer's board of directors.

"***Generally Accepted Accounting Principles***" or "***GAAP***" means International Financial Reporting Standards, consistently applied, which are in effect from time to time.

"***Government Securities***" means securities that are

(a) direct obligations of the United States of America for the timely payment of which its full faith and credit is pledged or

(b) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America,

which, in either case, are not callable or redeemable at the option of the issuers thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act), as custodian with respect to any such Government Securities or a specific payment of principal of or interest on any such Government Securities held by such custodian for the account of the holder of such depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the Government Securities or the specific payment of principal of or interest on the Government Securities evidenced by such depository receipt.

"***guarantee***" means, as applied to any obligation,

(a) a guarantee (other than by endorsement of negotiable instruments for collection or deposit in the ordinary course of business), direct or indirect, in any manner, of any part or all of such obligation, and

(b) an agreement, direct or indirect, contingent or otherwise, the practical effect of which is to assure in any way the payment or performance (or payment of damages in the event of non-performance) of all or any part of such obligation, including, without limiting the foregoing, by the pledge of assets and the payment of amounts drawn down under letters of credit.

"***Guarantors***" means Cell C Property Company (Pty) Limited, Cell C Service Provider Company (Pty) Limited and any future subsidiary that incurs a Guarantee.

"***Insolvency Event***" means, in relation to the Issuer or a Subsidiary:

(a) any resolution is passed or an order is made or other proceedings are commenced including the filing of an insolvency petition for the dissolution, liquidation, bankruptcy, administrative receivership, administration or reorganization of such entity as a receiver, administrative receiver, compulsory manager or equivalent (but not a receiver, manager or equivalent appointed by any lender of the Senior Credit Facilities that holds security) is appointed to such entity including, but not limited to, (i) enforcement over immovable property in the Republic of South Africa by way of sale in execution, (ii) any proceeding in connection with an insolvency or compromise with creditors or (iii) the appointment of a liquidator, be it provisional or final;

(b) such entity assigning its assets for the benefit of or entering into a composition with its creditors generally or entering into any composition, assignment or arrangement with any of its creditors or any moratorium being declared or imposed in respect of the payment of debt of such entity; or

(c) any analogous procedure or step to the events described in clauses (a) or (b) is taken in any jurisdiction.

"***Interest Rate Agreements***" means, in respect of a Person, any interest rate protection agreements and other types of interest rate hedging agreements (including, without limitation, interest rate swaps, caps, floors, collars and similar agreements) designed to protect such Person against or manage exposure to fluctuations in interest rates.

"***Investment***" means, with respect to any Person, any direct or indirect advance, loan or other extension of credit (including guarantees) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase, acquisition or ownership by such Person of any Capital Stock, bonds, notes, debentures or other securities or evidences of Debt issued or owned by, any other Person and all other items that would be classified as investments on a balance sheet prepared in accordance with GAAP. In addition, the portion (proportionate to the Issuer's equity interest in such Restricted Subsidiary) of the Fair Market Value of the net assets of any Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary will be deemed to be an "Investment" that the Issuer made in such Unrestricted Subsidiary at such time. The portion (proportionate to the Issuer's equity interest in such Restricted Subsidiary) of the Fair Market Value of the net assets of any Unrestricted Subsidiary at the time that such Unrestricted Subsidiary is designated a Restricted Subsidiary will be considered a reduction in outstanding Investments. "Investments" excludes extensions of trade credit on commercially reasonable terms in accordance with normal trade practices.

"***Issue Date***" means the date of issuance of the Senior Subordinated Notes.

"***Lien***" means any mortgage or deed of trust, charge, pledge, lien (statutory or otherwise), privilege, security interest, hypothecation, assignment or cession for security, claim, or preference or priority or other encumbrance upon or with respect to any property of any kind, real or personal, movable or immovable, now owned or hereafter acquired. A Person will be deemed to own subject to a Lien any property which such Person has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement.

"***Maturity***" means, with respect to any indebtedness, the date on which any principal of such indebtedness becomes due and payable as therein or herein provided, whether at the Stated Maturity with respect to such principal or by declaration of acceleration, call for redemption or purchase or otherwise.

"***Moody's***" means Moody's Investors Service, Inc. and its successors.

"***Net Cash Proceeds***" means:

(a) with respect to any Asset Sale, the proceeds thereof in the form of cash or Cash Equivalents including payments in respect of deferred payment obligations when received in the form of, or stock or other assets when disposed for, cash or Cash Equivalents (except to the extent that such obligations are financed or sold with recourse to the Issuer or any Restricted Subsidiary), net of:

(i) brokerage commissions and other fees and expenses (including, without limitation, fees and expenses of legal counsel, accountants, investment banks and other consultants) related to such Asset Sale;

(ii) provisions for all taxes paid or payable, or required to be accrued as a liability under GAAP as a result of such Asset Sale;

(iii) all payments made on any Debt that is secured by any Property subject to such Asset Sale, in accordance with the terms of any Lien upon or other security agreement of any kind with respect to such Property, or which must by its terms, or in order to obtain a necessary consent to such Asset Sale, or by applicable law, be repaid out of the proceeds from such Asset Sale;

(iv) all distributions and other payments required to be made to any Person (other than the Issuer or any Restricted Subsidiary) owning a beneficial interest in the assets subject to the Asset Sale; and

(v) appropriate amounts required to be provided by the Issuer or any Restricted Subsidiary, as the case may be, as a reserve in accordance with GAAP against any liabilities associated with such Asset Sale and retained by the Issuer or any Restricted Subsidiary, as the case may be, after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as reflected in an Officer's Certificate delivered to the trustee; and

(b) with respect to any capital contributions, issuance or sale of Capital Stock or options, warrants or rights to purchase Capital Stock, or debt securities or Capital Stock that have been converted into or exchanged for Capital Stock as referred to under "—Certain Covenants—Limitation on Restricted Payments", the proceeds of such issuance or sale in the form of cash or Cash Equivalents, payments in respect of deferred payment obligations when received in the form of, or stock or other assets when disposed of for, cash or Cash Equivalents (except to the extent that such obligations are financed or sold with recourse to the Issuer or any Restricted Subsidiary), net of attorney's fees, accountant's fees and brokerage, consultation, underwriting and other fees and expenses actually incurred in connection with such issuance or sale and net of taxes paid or payable as a result of thereof.

"***New Revolving Credit Facility***" means the revolving credit facility between the Issuer, the Guarantors and one or more lenders to be entered into on or after the Issue Date.

"***Officer's Certificate***" means a certificate signed by an officer of the Issuer, a Guarantor or a Surviving Entity, as the case may be, and delivered to the trustee.

"***Pari Passu Debt***" means (a) any Debt of the Issuer that ranks equally in right of payment with the Senior Subordinated Notes or (b) with respect to any Guarantee, any Debt that ranks equally in right of payment to such Guarantee.

"***Permitted Debt***" has the meaning given to such term under "—Certain Covenants—Limitation on Debt".

"***Permitted Holders***" means Saudi Oger Limited.

"***Permitted Investments***" means any of the following:

(a) Investments in cash or Cash Equivalents;

(b) intercompany Debt to the extent permitted under clause (d) of the definition of "Permitted Debt";

(c) Investments in (i) the form of loans or advances to the Issuer, (ii) a Restricted Subsidiary or (iii) another Person if as a result of such Investment such other Person becomes a Restricted Subsidiary or such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all of its assets to, the Issuer or a Restricted Subsidiary;

(d) Investments made by the Issuer or any Restricted Subsidiary as a result of or retained in connection with an Asset Sale permitted under or made in compliance with "—Certain Covenants—Limitation on Sale of Certain Assets" to the extent such Investments are non-cash proceeds permitted thereunder;

(e) expenses or advances to cover payroll, travel entertainment, moving, other relocation and similar matters that are expected at the time of such advances to be treated as expenses in accordance with GAAP;

(f) Investments in the Senior Subordinated Notes;

(g) Investments existing at the date of the Senior Subordinated Indenture;

(h) Investments in Interest Rate and Currency Agreements permitted under clauses (h) and (i) of "—Certain Covenants—Limitation on Debt";

(i) Investments made in the ordinary course of business, the Fair Market Value of which in the aggregate does not exceed €50,000 in any transaction or series of related transactions;

(j) loans and advances (or guarantees to third party loans) to directors, officers or employees of the Issuer or any Restricted Subsidiary made in the ordinary course of business and consistent with the Issuer's past practices or past practices of the Restricted Subsidiaries, as the case may be, in an amount outstanding not to exceed at any one time €1 million;

(k) Investments in a Person in exchange for the Issuer's Qualified Capital Stock or to the extent that the consideration therefor consists of the net proceeds of the substantially concurrent issue and sale (other than to any Subsidiary) of shares of the Issuer's Qualified Capital Stock; provided that the net proceeds of such sale have been excluded from, and shall not have been included in, the calculation of the amount determined under clause (2)(c)(ii) of "—Certain Covenants—Limitation on Restricted Payments";

(l) any payments or other transactions pursuant to a tax sharing agreement between the Issuer and any other Person with whom the Issuer files or filed a consolidated tax return or with which the Issuer is or was part of a consolidated group for tax purposes or any tax advantageous group contribution made pursuant to applicable legislation;

(m) Investments of the Issuer or the Restricted Subsidiaries described under item (v) to the proviso to the definition of "Debt";

(n) (i) stock, obligations or securities received in satisfaction of judgments, foreclosure of liens or settlement of debts and (ii) any Investments received in compromise of obligations of such persons that were incurred in the ordinary course of business, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer;

(o) Investments of the Issuer in the Virgin Mobile joint venture; or

(p) Investments of the Issuer in joint ventures or similar entities, that are not Subsidiaries, with other telecommunications operators, which are formed in connection with the implementation of mobile number portability;

(q) Investments in Cell C Direct (Pty) Limited provided that the total aggregate amount of such Investments outstanding at any one time, measured by reference to the Fair Market Value of each such Investment on the day it was made, does not exceed Rand 30 million.

(r) Investments in joint ventures or similar entities that are not Subsidiaries, such that after giving effect thereto the aggregate amount of such Investments after the Issue Date, less any amounts received as a return of capital or income with respect to such Investment, would not exceed €15 million, provided such Investment is made in a business related to the Issuer's business;

(s) any other Investment, provided that the total aggregate amount of such Investments outstanding at any one time, measured by reference to the Fair Market Value of such Investment on the day it was made, does not exceed €10 million.

"***Permitted Junior Securities***" means, with respect to any Person: (a) Capital Stock in such Person; or (b) debt securities of such Person that are subordinated to all Senior Debt and any debt securities issued in exchange for Senior Debt to substantially the same extent as, or to a greater extent that, the Senior Subordinated Notes are subordinated to Senior Debt pursuant to the Senior Subordinated Indenture.

"***Permitted Liens***" means the following types of Liens:

(a) Liens (other than Liens securing Debt under the New Revolving Credit Facility) existing as of the date of the issuance of the Senior Subordinated Notes and Liens securing the Senior Secured Notes;

(b) Liens securing Debt under Credit Facilities permitted to be incurred pursuant to clause (a) of the definition of "Permitted Debt";

(c) Liens on any property or assets of a Restricted Subsidiary granted in favor of the Issuer, a Guarantor or any Wholly Owned Restricted Subsidiary;

(d) Liens on any of the Issuer's or any Restricted Subsidiary's property or assets securing the Senior Subordinated Notes or any Guarantees;

(e) any interest or title of a lessor under any Capitalized Lease Obligation and Liens to secure Debt (including Capitalized Lease Obligations) permitted by clause (f) of the definition of "Permitted Debt" covering only the assets acquired with such Debt;

(f) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into by the Issuer or any Restricted Subsidiary in the ordinary course of business in accordance with the Issuer's or such Restricted Subsidiary's past practices prior to the date of the Senior Subordinated Indenture;

(g) statutory Liens of landlords and carriers, warehousemen, mechanics, suppliers, materialmen, repairmen, employees, pension plan administrators or other like Liens arising in the ordinary course of the Issuer's or any Restricted Subsidiary's business and with respect to amounts not yet delinquent or being contested in good faith by appropriate proceedings and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made or Liens arising solely by virtue of any statutory or common law provisions relating to attorney's liens or bankers' liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depositary institution;

(h) Liens for taxes, assessments, government charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(i) Liens incurred or deposits made to secure the performance of tenders, bids or trade or government contracts, or to secure leases, statutory or regulatory obligations, surety or appeal bonds, performance bonds or other obligations of a like nature incurred in the ordinary course of business (other than obligations for the payment of borrowed money);

(j) zoning restrictions, easements, licenses, reservations, title defects, rights of others for rights-of-way, utilities, sewers, electrical lines, telephone lines, telegraph wires, restrictions, encroachments and other similar charges, encumbrances or title defects and incurred in the ordinary course of business that do not in the aggregate materially interfere with in any material respect the ordinary conduct of the business of the Issuer and its Restricted Subsidiaries on the properties subject thereto, taken as a whole;

(k) Liens arising by reason of any judgment, decree or order of any court so long as such Lien is adequately bonded and any appropriate legal proceedings that may have been duly initiated for the review of such judgment, decree or order shall not have been finally terminated or the period within which such proceedings may be initiated shall not have expired;

(l) Liens on property of, or on shares of Capital Stock or Debt of, any Person existing at the time such property or Person is acquired by, merged with or into or consolidated with, the Issuer or any Restricted Subsidiary; provided that such Liens (i) do not extend to or cover any property or assets of the Issuer or any Restricted Subsidiary other than the property or assets acquired or than those of the Person merged into or consolidated with the Issuer or Restricted Subsidiary and (ii) were created prior to, and not in connection with or in contemplation of, such acquisition, merger or consolidation;

(m) Liens securing the Issuer's or any Restricted Subsidiary's obligations under Interest Rate Agreements or Currency Agreements permitted under clauses (h) and (i) of the definition of "Permitted Debt" or any collateral for the Debt to which such Interest Rate Agreements or Currency Agreements relate, including rights of offset and set-off;

(n) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security or other insurance (including unemployment insurance);

(o) Liens incurred in connection with a cash management program established in the ordinary course of business for the Issuer's benefit or that of any Restricted Subsidiary in favor of a bank or trust company of the type described in paragraph (1) of "—Certain Covenants—Limitation on Guarantees of Debt by Restricted Subsidiaries";

(p) Liens made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of the Issuer or any Restricted Subsidiary in the ordinary course of business, including rights of offset and set-off;

(q) any extension, renewal or replacement, in whole or in part, of any Lien described in the foregoing clauses (a) through (p); provided that any such extension, renewal or replacement shall be no more restrictive in any material respect than the Lien so extended, renewed or replaced and shall not extend in any material respect to any additional property or assets;

(r) Liens securing Debt incurred to refinance Debt that has been secured by a Lien permitted by the Senior Subordinated Indenture, provided that (i) any such Lien shall not extend to or cover any assets not

securing the Debt so refinanced and (ii) the Debt so refinanced shall have been permitted to be incurred pursuant to clause (m) of the definition of "Permitted Debt";

(s) purchase money Liens to finance property or assets of the Issuer or any Restricted Subsidiary acquired in the ordinary course of business; provided that (i) the related purchase money Debt shall not exceed the cost of such property or assets and shall not be secured by any property or assets of the Issuer or any Restricted Subsidiary other than the property and assets so acquired and (ii) the Lien securing such Debt shall be created within 90 days of such acquisitions;

(t) Liens incurred in the ordinary course of business of the Issuer or any Restricted Subsidiary with respect to obligations that do not exceed €10 million at any one time outstanding and that (i) are not incurred in connection with the borrowing of money or the obtaining of advances or credit (other than trade credit in the ordinary course of business) and (ii) do not in the aggregate materially detract from the value of the property or materially impair the use thereof in the operation of the Issuer's or such Restricted Subsidiary's business;

(u) Liens in favor of customers or revenue authorities to secure payment of customs duties in connection with the importation of goods in the ordinary course of business;

(v) Liens resulting from escrow agreements entered into in connection with the disposition of assets;

(w) any right of refusal, right of first offer, option or other agreement to sell or otherwise dispose of an asset of the Issuer or any Restricted Subsidiary; and

(x) Liens constituted by rights of set-off or netting arising under any agreement entered into by the Issuer or the Restricted Subsidiaries in the ordinary course of its banking arrangements for the provision of clearing bank facilities or overdraft facilities or similar facilities permitted under any Credit Facilities and the Senior Subordinated Indenture for the purpose of netting debit and credit balances (other than cash collateral) or arising under the standard terms and conditions of the relevant clearing bank or by operation of law or operation of bank accounts permitted to be maintained and operated under any Credit Facilities and the Senior Subordinated Indenture.

"***Permitted Receivables Financing***" means any financing pursuant to which the Issuer or any Restricted Subsidiary may sell, convey or otherwise transfer to any other Person or grant a security interest in, any accounts receivable (and related assets) in an aggregate principal amount equivalent to the Fair Market Value of such accounts receivable (and related assets) of the Issuer or any Restricted Subsidiary; provided that (a) the covenants, events of default and other provisions applicable to such financing shall be customary for such transactions and shall be on market terms (as determined in good faith by the Issuer's board of directors) at the time such financing is entered into, (b) the interest rate applicable to such financing shall be a market interest rate (as determined in good faith by the Issuer's board of directors) at the time such financing is entered into and (c) such financing shall be non-recourse to the Issuer or any Restricted Subsidiary except to a limited extent customary for such transactions.

"***Permitted Refinancing Debt***" means any renewals, extensions, substitutions, refinancings or replacements (each, for purposes of this definition and paragraph (2)(l) of "—Certain Covenants—Limitation on Debt", a "refinancing") of any Debt of the Issuer or a Restricted Subsidiary or pursuant to this definition, including any successive refinancings, so long as:

(a) such Debt is in an aggregate principal amount (or if incurred with original issue discount, an aggregate issue price) not in excess of the sum of (i) the aggregate principal amount (or if incurred with original issue discount, the aggregate accreted value) then outstanding of the Debt being refinanced and (ii) an amount necessary to pay any fees and expenses, including premiums and defeasance costs, related to such refinancing;

(b) the Average Life of such Debt is equal to or greater than the Average Life of the Debt being refinanced;

(c) the Stated Maturity of such Debt is no earlier than the Stated Maturity of the Debt being refinanced; and

(d) the new Debt is not senior in right of payment to the Debt that is being refinanced,

provided that Permitted Refinancing Debt will not include (i) Debt of a Subsidiary (other than a Guarantor) that refinances the Debt of any Guarantor, (ii) Debt of any Restricted Subsidiary that refinances Debt of an Unrestricted Subsidiary or (iii) Debt that refinances any Deeply Subordinated Shareholder Loan.

"***Person***" means any individual, corporation, limited liability company, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"***Preferred Stock***" means, with respect to any Person, Capital Stock of any class or classes (however designated) of such Person that is preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over the Capital Stock of any other class of such Person, whether now outstanding or issued after the date of the Senior Subordinated Indenture and including, without limitation, all classes and series of preferred or preference stock of such Person.

"***pro forma***" means, with respect to any calculation made or required to be made pursuant to the terms of the Senior Subordinated Notes, a calculation made in good faith by the Issuer's Chief Financial Officer.

"***Pro Forma EBITDA***" means, for any period, the Consolidated EBITDA of Issuer and its Restricted Subsidiaries, provided, however, that for the purposes of calculating Pro Forma EBITDA for such period, if, as of such date of determination:

(a) since the beginning of such period the Issuer or any Restricted Subsidiary will have made any Asset Sale or disposed of any company, any business, or any group of assets constituting an operating unit of a business (any such disposition, a "Sale") or if the transaction giving rise to the need to calculate the Consolidated Leverage Ratio is such a Sale, Pro Forma EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period;

(b) since the beginning of such period the Issuer or any Restricted Subsidiary (by merger or otherwise) will have made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise acquires any company, any business, or any group of assets constituting an operating unit of a business (any such Investment or acquisition, a "Purchase" including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder), Consolidated EBITDA for such period will be calculated after giving pro forma effect thereto as if such Purchase occurred on the first day of such period; and

(c) since the beginning of such period any Person (that became a Restricted Subsidiary or was merged with or into the Issuer or any Restricted Subsidiary since the beginning of such period) will have made any Sale or any Purchase that would have required an adjustment pursuant to clause (a) or (b) above if made by the Issuer or a Restricted Subsidiary since the beginning of such period, Consolidated EBITDA for such period will be calculated after giving pro forma effect thereto as if such Sale or Purchase occurred on the first day of such period.

"***Property***" means, with respect to any Person, any interest of such Person in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, including Capital Stock and other securities of, any other Person. For purposes of any calculation required pursuant to the Senior Subordinated Indenture, the value of any Property shall be its Fair Market Value.

"***Public Equity Offering***" means an underwritten public offer and sale of capital stock (which is Qualified Capital Stock) of the Issuer or any direct or indirect parent holding company of the Issuer with gross proceeds to the Issuer of at least €50 million (including any sale of Common Shares purchased upon the exercise of any over-allotment option granted in connection therewith).

"***Qualified Capital Stock***" of any Person means any and all Capital Stock of such Person other than Redeemable Capital Stock.

"***rand***" means the lawful currency of the Republic of South Africa.

"***Redeemable Capital Stock***" means any class or series of Capital Stock that, either by its terms, by the terms of any security into which it is convertible or exchangeable or by contract or otherwise, is, or upon the happening of an event or passage of time would be, required to be redeemed prior to the final Stated Maturity of the Senior Subordinated Notes or is redeemable at the option of the holder thereof at any time prior to such final Stated Maturity (other than upon a change of control of the Issuer in circumstances in which the holders of the Senior Subordinated Notes would have similar rights), or is convertible into or exchangeable for debt securities

at any time prior to such final Stated Maturity; provided that any Capital Stock that would constitute Qualified Capital Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of any "asset sale" or "change of control" occurring prior to the Stated Maturity of the Senior Subordinated Notes will not constitute Redeemable Capital Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in "—Certain Covenants—Limitation on Sales of Certain Assets" and "—Purchase of Senior Subordinated Notes upon a Change of Control" covenants described herein and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Issuer's repurchase of such Senior Subordinated Notes as are required to be repurchased pursuant to "—Certain Covenants—Limitation on Sales of Certain Assets" and "—Purchase of Senior Subordinated Notes upon a Change of Control".

"***Replacement Assets***" means properties and assets that replace the properties and assets that were the subject of an Asset Sale or properties and assets that will be used in the Issuer's business or in that of the Restricted Subsidiaries or any and all businesses that in the good faith judgment of the board of directors of the Issuer are reasonably related or complementary.

"***Restricted Subsidiary***" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"***S&P***" means Standard and Poor's Ratings Service, a division of The McGraw-Hill Companies, Inc. and its successors.

"***Securities Act***" means the U.S. Securities Act of 1933, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

"***Senior Agent***" means any agent or successor agent appointed under any Credit Facility with respect to Senior Debt to which the Issuer or any Guarantor is a party or designated as "Senior Agent" in any instrument or document evidencing Senior Debt.

"***Senior Debt***" means all indebtedness, except (a) indebtedness that is subordinated by its terms to other indebtedness and (b) indebtedness that expressly provides that it is not Senior Debt. Notwithstanding anything to the contrary in the foregoing, Senior Debt will not include:

(w) any liability for taxes owed or owing by the Guarantors;

(x) any Debt that is incurred in violation of the Senior Subordinated Indenture or the terms of the Senior Subordinated Notes, as the case may be;

(y) any trade payables; or

(z) any Deeply Subordinated Shareholder Loan.

In addition, any Senior Debt may be distinguished from another category of Senior Debt by reason of any Liens or guarantees.

"***Senior Secured Notes***" means the €400 million Senior Secured Notes due 2012 of the Issuer to be issued concurrently with the sale of the Senior Subordinated Notes.

"***Senior Subordinated Guarantee***" means any guarantee of the Issuer's obligations under the Senior Subordinated Indenture and the Senior Subordinated Notes by the Issuer, any Restricted Subsidiary or any other Person in accordance with the provisions of the Senior Subordinated Indenture, including the Guarantees by the Guarantors to be dated as of July 13, 2005. When used as a verb, "Guarantee" shall have a corresponding meaning.

"***Significant Subsidiary***" means a Restricted Subsidiary that, together with its Subsidiaries,

(a) for the Issuer's most recent fiscal year, accounted for more than 5% of the consolidated revenues of the Issuer and the Issuer's Restricted Subsidiaries, or

(b) as of the end of such fiscal year, was the owner of more than 5% of the consolidated assets of the Issuer and the Issuer's Restricted Subsidiaries, all as set forth on Issuers' most recently available consolidated financial statements for such fiscal year, or

(c) was organized or acquired after the beginning of such fiscal year and would have been a Significant Subsidiary if it had been owned during the entire fiscal year or is a "significant subsidiary" as defined in Rule 1.02(w) of Regulation S-X under the Securities Act.

"***Stated Maturity***" means, when used with respect to any Senior Subordinated Note or any installment of interest thereon, the date specified in such Senior Subordinated Note as the fixed date on which the principal of such Senior Subordinated Note or such installment of interest, respectively, is due and payable, and, when used with respect to any other indebtedness, means the date specified in the instrument governing such indebtedness as the fixed date on which the principal of such indebtedness, or any installment of interest thereon, is due and payable.

"***Sterling***" or "**£**" means the lawful currency of the United Kingdom of Great Britain and Northern Ireland.

"***Subordinated Debt***" means Debt of the Issuer or any of the Guarantors that is subordinated in right of payment to the Senior Subordinated Notes or the Senior Subordinated Guarantees of such Guarantors, as the case may be.

"***Subsidiary***" means, with respect to any Person:

(a) a corporation a majority of whose Voting Stock is at the time, directly or indirectly, owned by such Person, by one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries thereof; and

(b) any other Person (other than a corporation), including, without limitation, a partnership, limited liability company, business trust or joint venture, in which such Person, one or more Subsidiaries thereof or such Person and one or more Subsidiaries thereof, directly or indirectly, at the date of determination thereof, has at least majority ownership interest entitled to vote in the election of directors, managers or trustees thereof (or other Person performing similar functions).

"***Treasury Rate***" means, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as complied and published in the most recent Federal Reserve Statistical Release H.15(519) that has become publicly available at least two business days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to July 1, 2010; provided however that if the period from the redemption date to July 1, 2010 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

"***Trust Indenture Act***" means the U.S. Trust Indenture Act of 1939, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

"***Unrestricted Subsidiary***" means:

(a) any Subsidiary of the Issuer that at the time of determination is an Unrestricted Subsidiary (as designated by the Issuer's board of directors pursuant to the "Designation of Unrestricted and Restricted Subsidiaries" covenant); and

(b) any Subsidiary of an Unrestricted Subsidiary.

"***Voting Stock***" means any class or classes of Capital Stock pursuant to which the holders thereof have the general voting power under ordinary circumstances to elect at least a majority of the board of directors, managers or trustees (or Persons performing similar functions) of any Person (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency).

"***Wholly Owned Restricted Subsidiary***" means any Restricted Subsidiary, all of the outstanding Capital Stock (other than directors' qualifying shares or shares of Restricted Subsidiaries required to be owned by third parties pursuant to applicable law) of which are owned by the Issuer or by one or more other Wholly Owned Restricted Subsidiaries or by the Issuer and one or more other Wholly Owned Restricted Subsidiaries.

BOOK-ENTRY; DELIVERY AND FORM

General

Notes sold to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act will be represented by a global note in registered form without interest coupons attached (the "Rule 144A Global Note"). The Rule 144A Global Notes will be deposited with a custodian for, and registered in the name of Cede & Co., as nominee of DTC. Notes sold to non-U.S. persons in reliance on Regulation S under the U.S. Securities Act will be represented by a global note in registered form without interest coupons attached (the "Regulation S Global Note" and, together with the Rule 144A Global Note, the "Global Notes"). The Regulation S Global Note will be deposited with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream Banking.

Ownership of interests in the Rule 144A Global Note ("Rule 144A Book-Entry Interests") and in the Regulation S Global Note (the "Regulation S Book-Entry Interests" and, together with the Rule 144A Book-Entry Interests, the "Book-Entry Interests") will be limited to persons that have accounts with DTC, Euroclear and/or Clearstream Banking, or persons that hold interests through such participants. DTC, Euroclear and Clearstream Banking will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries. Except under the limited circumstances described below, Book-Entry Interests will not be held in definitive certificated form.

Book-Entry Interests will be shown on, and transfers thereof will be done only through, records maintained in the book-entry form by DTC, Euroclear and Clearstream Banking and their participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive certificated form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the notes are in global form, holders of Book-Entry Interests will not be considered the owners or "holders" of notes for any purpose.

So long as the notes are held in global form, DTC, Euroclear and/or Clearstream Banking, as applicable (or their respective nominees), will be considered the sole holders of Global Notes for all purposes under the Senior Subordinated Indenture. In addition, participants must rely on the procedures of DTC, Euroclear and/or Clearstream Banking, and indirect participants must rely on the procedures of DTC, Euroclear, Clearstream Banking and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders under the Senior Subordinated Indenture.

Neither we nor the trustee will have any responsibility, or be liable, for any aspect of the records relating to the Book-Entry Interests.

Redemption of the Global Notes

In the event any Global Note (or any portion thereof) is redeemed, DTC, Euroclear and/or Clearstream Banking, as applicable, will redeem an equal amount of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by DTC, Euroclear and Clearstream Banking, as applicable, in connection with the redemption of such Global Note (or any portion thereof). We understand that, under the existing practices of DTC, Euroclear and Clearstream Banking, if fewer than all of the notes are to be redeemed at any time, DTC, Euroclear and Clearstream Banking will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions), by lot or on such other basis as they deem fair and appropriate; provided, however, that no Book-Entry Interest of $1,000 principal amount or less may be redeemed in part.

Payments on Global Notes

We will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, and interest) to DTC or its nominee (in the case of the Rule 144A Global Note) and to the common depositary or its nominee for Euroclear and Clearstream Banking (in the case of the Regulation S Global Note), which will distribute such payments to participants in accordance with their customary procedures. We will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "Description of the Senior Subordinated Notes—Additional Amounts." If any such deduction or withholding is required to be made, then, to the extent described under "Description of the Senior

Subordinated Notes—Additional Amounts" above, we will pay additional amounts as may be necessary in order that the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding will equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. We expect that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Senior Subordinated Indenture, we and the trustee will treat the registered holder of the Global Notes (*e.g.,* DTC, Euroclear or Clearstream Banking (or their respective nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of us, the trustee or any of our or its respective agent has or will have any responsibility or liability for:

- any aspect of the records of DTC, Euroclear, Clearstream Banking or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest or for maintaining, supervising or reviewing the records of DTC, Euroclear, Clearstream Banking or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest,
- DTC, Euroclear, Clearstream Banking or any participant or indirect participant, or
- payments by participants to owners of Book-Entry Interests held through participants, as is now the case with securities held for the accounts of customers registered in "street name".

Currency of Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Rule 144A Global Note will be paid to holders of interests in such notes (the "DTC Holders") through DTC in dollars. The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Regulation S Global Note will be paid to holders of interests in such notes (the "Euroclear/Clearstream Banking Holders") through Euroclear and/or Clearstream Banking in U.S. dollars.

Action by Owners of Book-Entry Interests

DTC, Euroclear and Clearstream Banking have advised us that they will take any action permitted to be taken by a holder of notes (including the presentation of notes for exchange as described above) only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of notes as to which such participant or participants has or have given such direction. DTC, Euroclear and Clearstream Banking will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an Event of Default under the notes, each of DTC, Euroclear and Clearstream Banking reserves the right to exchange the Global Notes for definitive registered Notes in certificated form ("Definitive Registered Notes") and to distribute Definitive Registered Notes to its participants.

Transfers

Transfers between participants in DTC, Euroclear and Clearstream will be done in accordance with DTC, Euroclear or Clearstream rules, as the case may be, and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such holder must transfer its interest in the Global Notes in accordance with the normal procedures of DTC, Euroclear or Clearstream, as the case may be, and in accordance with the procedures set forth in the Senior Subordinated Indenture.

The Global Notes will bear a legend to the effect set forth in "Notice to Investors". Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed in "Notice to Investors".

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of any Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Senior Subordinated Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144A (if available under the U.S. Securities Act).

Transfers involving an exchange of a Regulation S Book-Entry Interest for a Rule 144A Book-Entry Interest will be done in DTC by means of an instruction originated by the trustee through the DTC Deposit/Withdrawal at

Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the corresponding Rule 144A Global Note. Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Definitive Registered Notes

Under the terms of the Senior Subordinated Indenture, owners of the Book-Entry Interests will receive Definitive Registered Notes:

- if DTC, Euroclear or Clearstream Banking notifies us that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by us within 120 days;
- if DTC, Euroclear or Clearstream Banking so requests following an Event of Default under the Senior Subordinated Indenture; or
- if the owner of a Book-Entry Interest requests such exchange in writing delivered through either DTC, Euroclear or Clearstream Banking following an Event of Default under the Senior Subordinated Indenture.

In the case of the issuance of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such note by surrendering it to the Registrar or a Transfer Agent. In the event of a partial transfer or a partial redemption of a holding of Definitive Registered Notes represented by one Definitive Registered Note, a Definitive Registered Note will be issued to the transferee in respect of the part transferred and a new Definitive Registered Note in respect of the balance of the holding not transferred or redeemed will be issued to the transferor or the holder, as applicable; provided that no Definitive Registered Note in a denomination less than $1,000 will be issued. We will bear the cost of preparing, printing, packaging and delivering the Definitive Registered Notes.

We will not be required to register the transfer or exchange of Definitive Registered Notes for a period of 15 calendar days preceding (i) the record date for any payment of interest on the notes, (ii) any date fixed for redemption of the Notes or (iii) the date fixed for selection of the notes to be redeemed in part. Also, we are not required to register the transfer or exchange of any notes selected for redemption. In the event of the transfer of any Definitive Registered Note, the trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents as described in the Senior Subordinated Indenture. We may require a holder to pay any taxes and fees required by law and permitted by the Senior Subordinated Indenture and the Notes.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Note has been lost, destroyed or wrongfully taken, or if such Definitive Registered Note is mutilated and is surrendered to the Registrar or at the office of a Transfer Agent, we will issue and the trustee will authenticate a replacement Definitive Registered Note if the trustee's and our requirements are met. We or the trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both to protect ourselves, the trustee or the Paying Agent appointed pursuant to the Senior Subordinated Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. We may charge for any expenses incurred by us in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by us pursuant to the provisions of the Senior Subordinated Indenture, we, in our discretion, may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged only after the transferor first delivers to the trustee a written certification (in the form provided in the Senior Subordinated Indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such notes. See "Notice to Investors."

So long as the notes are listed on the EuroMTF and the rules of such exchange so require, we will publish a notice of any issuance of Definitive Registered Notes in a newspaper having general circulation in Luxembourg (which we expect to be the *d'Wort*). Payment of principal, any repurchase price, premium and interest on

Definitive Registered Notes will be payable at the office of our paying agent in Luxembourg so long as the notes are listed on the EuroMTF and the rules of such exchange so require.

Information Concerning Euroclear DTC, and Clearstream Banking

We understand as follows with respect to DTC, Euroclear and Clearstream Banking:

DTC. DTC is:

- a limited purpose trust company organized under the New York Banking Law;
- a "banking organization" under New York Banking Law;
- a member of the Federal Reserve System;
- a "clearing corporation" within the meaning of the New York Uniform Commercial Code; and
- a "clearing agency" registered under Section 17A of the US Securities Exchange Act of 1934, as amended.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of transactions among its participants. It does this through electronic book-entry changes in the accounts of securities participants, eliminating the need for physical movement of securities certificates. DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC's owners are the New York Stock Exchange, Inc. the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. and a number of its direct participants. Others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a direct participant also have access to the DTC system and are known as indirect participants.

Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to person or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for that interest. The laws of some states require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the DTC system will receive distributions attributable to the Rule 144A Global Notes only through DTC participants.

EuroClear and Clearstream. Like DTC, Euroclear and Clearstream Banking hold securities for participating organisations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream Banking provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream Banking interface with domestic securities markets. Euroclear and Clearstream Banking participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organisations. Indirect access to Euroclear and Clearstream Banking is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream Banking participant, either directly or indirectly.

Global Clearance and Settlement Under the Book-Entry System

The notes represented by the Global Notes are expected to be listed on the EuroMTF and to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in such notes will, therefore, be required by DTC to be settled in immediately available funds. The issuer expects that secondary trading in any certificated notes will also be settled in immediately available funds. Subject to compliance with the transfer restrictions applicable to the Global Notes, cross-market transfers between the participants in DTC, on the one hand, and Euroclear or Clearstream Banking participants, on the other hand, will be done through DTC in accordance with DTC's rules on behalf of each of Euroclear or Clearstream Banking by its common depositary; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream Banking by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream Banking will, if the transaction meets its settlement requirements, deliver instructions to the common depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the Global Notes in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC.

Euroclear participants and Clearstream Banking participants may not deliver instructions directly to the common depositary.

Because of time zone differences, the securities account of a Euroclear or Clearstream Banking participant purchasing an interest in a Global Note from a participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream Banking participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream Banking) immediately following the settlement date of DTC. Cash received in Euroclear and Clearstream Banking as a result of a sale of an interest in a Global Note by or through a Euroclear and Clearstream Banking participant to a participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear and Clearstream Banking cash account only as at the business day for Euroclear and Clearstream Banking following DTC's settlement date.

Although DTC, Euroclear and Clearstream Banking are expected to follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in DTC, Euroclear and Clearstream Banking, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the issuer, the Trustee or the Paying Agent will have any responsibility for the performance by DTC, Euroclear and Clearstream Banking, or their respective participants or indirect participants, of their respective obligations under the rules and procedures governing their operations.

TAX CONSIDERATIONS

Prospective purchasers of the notes are advised to consult their own tax advisers as to the tax consequences, under the tax laws of the country of which they are resident, of a purchase of notes including without limitation, the consequences of receipt of interest and premium, if any, on and sale or redemption of, the notes or any interest therein.

Certain South African Tax Considerations

General

The following is a summary of certain South African tax consequences relating to the holding and disposal of notes. This information is not a substitute for independent advice pertaining to the particular circumstances of a holder of notes. It is intended as a general guide only and is based on current South African tax legislation and practice in force as of the date of this prospectus. It relates only to the position of a holder of notes who is the absolute beneficial owner of the notes and who owns the notes as a capital investment. It is not intended to apply to certain classes of holders of notes such as brokers or dealers. If a noteholder is an any doubt as to its tax position, or is resident or subject otherwise to tax in any jurisdiction other than the Republic of South Africa, such noteholder should consult its own tax adviser.

Interest on the Notes

Holders of notes who are resident for tax purposes in South Africa will generally be liable for South African tax on the amount of any interest received in respect of notes.

Holders of notes who are non-residents of South Africa for tax purposes will be exempt from South African tax on the amount of any interest received in respect of notes, unless a holder is a natural personal who was physically present in South Africa for period exceeding 183 days in the tax year in which interest was received or the holder carried on business at any time during that year through a permanent establishment in South Africa.

Stamp Duty

No South African stamp duty will be payable on either the issue of the notes or on a subsequent transfer of notes.

Capital Gains Tax

A South African resident taxpayer who disposes of notes held as a capital asset, is subject to capital gains tax in respect of capital gains on such disposal. A capital gain will be equal to the excess of the proceeds of the disposal of notes over the acquisition price of notes (the "base cost"). The base cost of notes will be the issue price of notes (in the event that the holder of notes shall have subscribed for notes) or the purchase price paid by the holder of notes in respect of the acquisition of notes from a previous owner thereof. For taxpayers who are natural persons, the effective rate at which any capital gain on the disposal of the notes would not exceed 10% (at the current personal income tax rates). For taxpayers who are companies, the effective rate of which any capital gain on the disposal of the notes would be 15% (at the current income tax rates).

A South African tax resident will be subject to capital gains tax on the redemption of the notes. Capital gains tax, if any, will be calculated by deducting the base cost of the notes (the acquisition price) from the proceeds received on redemption (the redemption price).

Non-residents of South Africa for tax purposes will not be subject to South African capital gains tax in respect of the disposal of notes.

Withholding Tax

All payments made under the notes or guarantees to resident and non-resident Holders will, on the basis of current South African tax legislation and practice in force as of the date of this prospectus, be made free and clear of and without withholding or deduction for or on account of any taxes, duties, assessments or governmental charges in South Africa.

European Union Directive on the Taxation of Savings Interest

The European Union has adopted Council Directive 2003/48/EC regarding the taxation of savings income (the "Directive"). Subject to a number of important conditions being met, it is proposed that Member States will be required from July 1, 2005 to provide to the tax authorities of other Member States details of payments of interest or other similar income paid by a person to an individual in another Member State, except that Belgium, Luxembourg and Austria will instead operate a withholding system for a transitional period unless, during such period, they elect otherwise.

Additional Amounts will not be payable if any tax is required to be withheld or deducted as a result of the implementation of the Directive or the introduction of any law implementing or complying with, or introduced in order to conform to, the Directive.

Certain United States Federal Income Tax Considerations

The following is a general discussion of certain material United States federal income tax considerations that may be relevant to the purchase, ownership and disposition of the notes by initial investors that are United States Holders (as defined below). This discussion is based on currently existing provisions of the Internal Revenue Code of 1986, as amended (the "Code"), existing, temporary and proposed Treasury regulations promulgated thereunder, and administrative and judicial interpretations thereof, all as in effect or proposed on the date hereof and all of which are subject to change, possibly with retroactive effect, or different interpretations. This discussion does not address the tax consequences to subsequent purchasers of notes and is limited to initial investors who purchase the notes at the price set forth on the cover page, and who hold the notes as capital assets, within the meaning of section 1221 of the Code. Moreover, this discussion is for general information only and does not address the tax consequences to holders that are not United States Holders (as defined below) or the tax consequences that may be relevant to particular initial investors in light of their personal circumstances or to certain types of initial investors subject to special tax rules (such as brokers, banks and other financial institutions, insurance companies, tax-exempt entities, dealers in securities or currencies, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, regulated investment companies, real estate investment trusts, U.S. expatriates or former long-term residents of the United States, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, investors that will hold the notes as part of straddles, hedging transactions or conversion transactions for United States federal income tax purposes or investors whose functional currency is not the U.S. dollar). In addition, this discussion does not include any description of estate and gift tax consequences, or the tax laws of any state, local or foreign government that may be applicable to the notes. There can be no assurance that the United States Internal Revenue Service (the "IRS") will take a similar view as to any of the tax consequences described in this summary.

PROSPECTIVE PURCHASERS ARE URGED TO CONSULT THEIR OWN TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES, INCLUDING THE APPLICABILITY OF ANY UNITED STATES FEDERAL TAX LAWS OR ANY STATE, LOCAL OR FOREIGN TAX LAWS, AND ANY CHANGES (OR PROPOSED CHANGES) IN APPLICABLE TAX LAWS OR INTERPRETATIONS THEREOF.

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, YOU ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON BY YOU FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON YOU UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) YOU SHOULD SEEK ADVICE BASED ON YOUR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

As used herein, the term "United States Holder" means a beneficial owner of a note that is, for United States federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation or other entity taxable as a corporation created or organised in the United States or under the laws of the United States or of any state thereof (including the District of Columbia), (iii) an estate the income of which is subject to United States federal income tax regardless of its source, or (iv) a trust (A) if a United States court is able to exercise primary supervision over the trust's administration and one or more United States persons have authority to control all substantial decisions of such trust, or (B) that was in existence on August 20, 1996, was treated as a United States person under the Code on the previous day, and has a valid election in effect to continue to be so treated.

If a partnership or other pass-through entity holds the notes, the tax treatment of a partner in or owner of the partnership or pass-through entity will generally depend upon the status of the partner or owner and the activities of the entity. If you are a partner in or owner of a partnership or other pass-through entity that is considering holding notes, you should consult your tax advisor.

Taxation of Interest

In general, interest paid on a note (including any amount withheld as withholding tax) will be taxable to a United States Holder as ordinary interest income, generally at the time it is received or accrued, in accordance with such holder's regular method of accounting for United States federal income tax purposes.

Disposition of Notes

Upon the sale, exchange, redemption, retirement at maturity or other taxable disposition of a note (collectively, a "disposition"), a United States Holder generally will recognise capital gain or loss equal to the difference between the amount realised by such holder (except to the extent such amount is attributable to accrued but unpaid interest, which will be taxable as ordinary interest income (as described above) if such interest has not been previously included in income) and such holder's adjusted tax basis in the note. The tax basis of a note to a United States Holder will generally be the cost of the note to the United States Holder. Upon a disposition of a note, such capital gain or loss will be long-term capital gain or loss if the United States Holder's holding period for the note exceeds one year. Long-term capital gains recognised by individuals are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Foreign Tax Credit Considerations

If interest payments on the notes become subject to South African withholding taxes, a United States Holder may be able, subject to generally applicable limitations, to claim a foreign tax credit or take a deduction for such withholding taxes imposed on interest payments (including any Additional Amounts). Interest (including any Additional Amounts) will constitute income from sources without the United States for United States foreign tax credit purposes. Interest income (including any Additional Amounts) generally will constitute "passive income" or, in the case of certain holders, "financial services income" for United States foreign tax credit purposes. If, however, such withholding tax is imposed at a rate of 5% or more, such income will constitute "high withholding tax interest." Pursuant to changes in tax law that will apply to tax years beginning after December 31, 2006, interest payments on a note will constitute "passive category" income or for certain holders "general category" income for foreign tax credit purposes.

Gain or loss on the sale, redemption, retirement at maturity or other taxable disposition of a note by a United States Holder will generally constitute United States source income or loss for United States foreign tax credit purposes.

Backup Withholding and Information Reporting

Backup withholding currently at a rate of 28% and information reporting requirements may apply to certain payments of principal, premium, if any, and interest on a note and to proceeds of the sale or other disposition of a note before maturity, if a United States Holder fails to furnish its taxpayer identification number, certify that such number is correct, certify that such United States Holder is not subject to backup withholding or otherwise comply with the applicable requirements of the backup withholding rules. Certain United States Holders, including corporations, are generally not subject to backup withholding and information reporting requirements. Any amounts withheld under the backup withholding rules from a payment to a United States Holder will be allowed as a credit against such United States Holder's United States federal income tax and may entitle the United States Holder to a refund, provided that the required information is timely furnished to the IRS.

EXCHANGE CONTROLS

The information below is not intended as advice and it does not purport to describe all of the considerations that may be relevant to a prospective purchaser of notes. Prospective purchasers of notes that are non-South African residents or emigrants from the Common Monetary Area are urged to seek further professional advice in regard to the purchase of notes.

South African law provides for exchange control regulations, which are administered by the SARB. SARB has delegated certain functions to authorised dealers (most of whom are the larger commercial and merchant banks in South Africa), who advise on and process exchange control applications for South African companies and individuals. The exchange control regulations apply throughout the Common Monetary Area, which comprises South Africa, Lesotho, Swaziland and Namibia.

The South African government has in recent years gradually eased the exchange control regime, allowing significant investment abroad for both South African individuals and companies, and it has indicated that when circumstances permit, it will abolish exchange controls altogether. There has been no indication as to when this may occur and exchange control regulations may change at any time without notice.

Transfers of Capital

Non-Residents

Investments into South Africa must be reported to the authorities and share certificates evidencing such investment must carry a "non-resident" endorsement. Non-residents who wish to invest in South Africa by means of loan capital need to obtain prior approval from the SARB, particularly with reference to intended repayment dates, and interest rates. In addition, the SARB will not approve interest in excess of the prime rate to be charged by non-resident shareholders on loans to South African subsidiaries, but loans from non-residents other than shareholders may be allowed to carry interest at prime +2%.

We have obtained approval from the SARB to issue the notes and to make the relevant capital and interest payments on the notes. We have also obtained approval to make payments under the guarantees and discharge the collateral securing our obligations under the senior secured notes, as necessary.

PLAN OF DISTRIBUTION

Citigroup Global Markets Limited is acting as sole book-running manager of the offering and as initial purchaser. Subject to the terms and conditions stated in the purchase agreement dated the date of this prospectus, Citigroup Global Markets Limited has agreed to purchase, and we have agreed to sell to Citigroup Global Markets Limited the principal amount of the notes set forth below.

Initial Purchaser	Principal Amount of the Senior Subordinated Notes
Citigroup Global Markets Limited	$270,000,000
Total	$270,000,000

The purchase agreement provides that the obligations of the initial purchaser to purchase the notes are subject to approval of legal matters by counsel and to other conditions. The initial purchaser must purchase all the notes if they purchase any of the notes.

We have been advised that the initial purchaser proposes to resell the notes at the offering price set forth on the cover page of this prospectus within the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A and outside the United States in reliance on Regulation S. See "Notice to Investors." The price at which the notes are offered may be changed at any time without notice.

The notes have not been and will not be registered under the U.S. Securities Act or any state securities laws and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. See "Notice to Investors."

In addition, until 40 days after the commencement of this offering, an offer or sale of notes within the United States by a dealer that is not participating in this offering may violate the registration requirements of the U.S. Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

The initial purchaser has represented, warranted and agreed that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer;
- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom;
- the offer and sale of the notes in the Federal Republic of Germany may be made only in accordance with the provisions of the Securities Prospectus Act of the Federal Republic of Germany (*Wertpapierprospektgesetz*);
- it will not offer the notes or cause the offering of the notes to the public in Luxembourg unless all of the relevant legal and regulatory requirements have been met;
- the notes included in this offering shall not be offered in The Netherlands other than (i) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities; (ii) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more that €43,000,000 and (3) and annual turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; (iii) to any legal entity which and any natural person who has asked to be considered as professional market party and is registered pursuant to the Dutch Exemption Regulation; and (iv) in any other circumstances which do not require the publication of a prospectus pursuant to the Dutch Exemption Regulation;
- the offer and sale of the notes in France will only be made to qualified investors, in accordance with Article L. 411-2 242 of the *French Code monétaire et financier* and *Décret* No. 98-880, dated October 1, 1998, as amended;
- the notes will be offered or sold in Spain by means of a public offer in compliance with and as defined and construed in Chapter I of Title III of Law 24/1988, of 28 July, on the Securities Act (as amended by Royal Decree Law 5/2005, of 11 March) and related legislation;

- the notes may not be offered, sold or delivered in Italy except to professional investors (*operatori qualificati*), as defined in Article 31.2 of CONSOB Regulation No. 11522 of July 1, 1998.

The notes will constitute a new class of securities with no established trading market. Application has been made to list the notes on the EuroMTF. However, we cannot assure you that the prices at which the notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the notes will develop and continue after this offering. The initial purchaser has advised us that it currently intends to make a market in the notes. However, it is not obligated to do so, and it may discontinue any market-making activities with respect to the notes at any time without notice. In addition, market-making activity will be subject to the limits imposed by the U.S. Securities Act and the U.S. Securities and Exchange Act of 1934, as amended, and may be limited. Accordingly, we cannot assure you as to the liquidity of or the trading market for the notes.

In connection with the issue of the notes, Citigroup Global Markets Limited (or persons acting on its behalf) may over-allot notes (provided that the aggregate principal amount of notes allotted does not exceed 105% of the aggregate principal amount of the notes) or effect transactions with a view to supporting the market price of the notes at a level higher than that which might otherwise prevail. However, there is no assurance that Citigroup Global Markets Limited (or persons acting on its behalf) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the notes and 60 days after the date of the allotment of the notes.

We have agreed to indemnify the initial purchaser against certain liabilities, including liabilities under the U.S. Securities Act, or to contribute to payments that the initial purchaser may be required to make because of any of those liabilities.

Other Relationships

The initial purchaser and its affiliates have performed commercial and investment banking and advisory services for us and for Saudi Oger from time to time for which they have received customary fees and expenses. Citigroup Global Markets Limited may, from time to time, engage in transactions with, and perform services for, us and for Saudi Oger in the ordinary course of our or its business.

NOTICE TO INVESTORS

The notes have not been registered under the U.S. Securities Act, or any state securities laws, and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the notes offered hereby are being offered and sold only to qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act) in reliance on Rule 144A under the U.S. Securities Act and in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

Each purchaser of notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with us and the initial purchaser as follows:

1. It understands and acknowledges that the notes have not been registered under the U.S. Securities Act or any other applicable securities law, are being offered for resale in transactions not requiring registration under the U.S. Securities Act or any other securities law, including sales pursuant to Rule 144A under the U.S. Securities Act, and may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the U.S. Securities Act or any other applicable securities law, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraph (4) below.

2. It is not an "affiliate" (as defined in Rule 144 under the U.S. Securities Act) of ours or acting on our behalf and it is either:

(i) a Qualified Institutional Buyer, or QIB, within the meaning of Rule 144A under the U.S. Securities Act and is aware that any sale of notes to it will be made in reliance on Rule 144A under the U.S. Securities Act, of which the acquisition will be for its own account or for the account of another QIB; or

(ii) an institution that, at the time the offer to purchase was made and at the time the buy order for the notes was originated, was outside the United States within the meaning of Regulation S under the U.S. Securities Act.

3. It acknowledges that neither we nor the initial purchaser, nor any person representing us or the initial purchaser, has made any representation to it with respect to the offering or sale of any notes, other than the information contained in this prospectus, which prospectus has been delivered to it and upon which it is relying in making its investment decision with respect to the notes. It has had access to such financial and other information concerning us and the notes as it has deemed necessary in connection with its decision to purchase any of the notes.

4. It is purchasing the notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the U.S. Securities Act or any state securities laws, subject to any requirement of law that the disposition of its property of the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the U.S. Securities Act.

Each holder of notes issued in reliance on Rule 144A ("Rule 144A Notes") agrees on its own behalf and on behalf of any investor account for which it is purchasing the notes, and each subsequent holder of the notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such notes prior to the date that is two years after the later of the date (the "Resale Restriction Termination Date") of the original issue and the last date on which the issuer or any of our affiliates was the owner of such notes (or any predecessor thereto) only (i) to us, (ii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act, (iii) for so long as the notes are eligible pursuant to Rule 144A under the U.S. Securities Act, to a person it reasonably believes is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A under the U.S. Securities Act, (iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the U.S. Securities Act or (v) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to the issuer's and the trustee's rights prior to any such offer, sale or transfer (I) pursuant to clause (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the other side of the security is

completed and delivered by the transferor to the trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date. Each purchaser acknowledges that each Rule 144A note will contain a legend substantially to the following effect:

> THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT OF 1933. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE WHICH IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT OF 1933, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT OF 1933 (“RULE 144A”), TO A PERSON IT REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933 OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER’S AND THE TRUSTEE’S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE. THE FOREGOING RESTRICTIONS ON RESALE WILL NOT APPLY SUBSEQUENT TO THE RESALE RESTRICTION TERMINATION DATE.

5. It agrees that it will give to each person to whom it transfers the notes notice of any restrictions on transfer of such notes.

6. It acknowledges that until 40 days after the commencement of the offering, any offer or sale of the notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act.

7. It acknowledges that the trustee will not be required to accept for registration of transfer any notes except upon presentation of evidence satisfactory to us and the trustee that the restrictions set forth therein have been complied with.

8. It acknowledges that we, the initial purchaser and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by its purchase of the notes are no longer accurate, it shall promptly notify the initial purchaser. If it is acquiring any notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

SERVICE OF PROCESS AND ENFORCEABILITY OF CIVIL LIABILITIES

Choice of Law

In any proceedings for the enforcement of the obligations of any South African party, the South African courts will give effect to the choice of foreign law as contemplated in the notes as the governing law of thereof.

Jurisdiction

Subject as set out below, any party's (i) irrevocable submission under the notes to the jurisdiction of a foreign court; and (ii) agreement not to claim any immunity to which it or its assets may be entitled, is legal, valid, binding and enforceable under the laws of South Africa, and any judgement obtained in the foreign jurisdiction will be recognised and be enforceable by the courts of South Africa without the need for re-examination of the merits. The appointment by any party of an agent in the foreign court to accept service of process in respect of the jurisdiction of the foreign courts is valid and binding on that party.

Under South African law, a court will not accept a complete ouster of jurisdiction, although generally it recognises party autonomy and gives effect to choice of law provisions. However, jurisdiction remains within the discretion of the court and a court may, in certain instances, assume jurisdiction provided there are sufficient jurisdictional connecting factors. South African courts may, in rare instances, choose not to give effect to a choice of jurisdiction clause, if such choice is contrary to public policy. Proceedings before a court of South Africa may be stayed if the subject of the proceedings is concurrently before any other court.

Recognition of Foreign Judgments

Subject to obtaining the permission of the Minister of Trade and Industry under the Protection of Business Act, 1978, a judgement obtained in a competent court of jurisdiction other than South Africa will be recognised and enforced in accordance with ordinary procedures applicable under South African law for the enforcement of foreign judgements, provided, that the judgement was final and conclusive, and not obtained by fraud or in any manner opposed to natural justice, the enforcement thereof is not contrary to public policy and the foreign court in question had jurisdiction and competence according to the applicable rules on conflict of laws. A foreign judgement will probably not be recognised in South Africa if the foreign court exercised jurisdiction over the defendant solely by virtue of an attachment to found jurisdiction or on the basis of domicile alone. South African courts will not enforce foreign revenue or penal law and South African courts have, as a matter of public policy, generally not enforced awards for punitive damages.

Where obligations are to be performed in a jurisdiction outside South Africa they may not be enforceable under the laws of South Africa, notwithstanding the choice of the law of South Africa as the proper law of contract, to the extent that such performance would be illegal or contrary to public policy under the laws of South Africa, or the foreign jurisdiction or to the extent that the law precludes South African courts from granting extra territorial orders.

Under the Recognition and Enforcement of Foreign Arbitral Awards Act, 1977, or Enforcement Act, any foreign arbitral award may, subject to the provisions of sections 3 and 4 thereof, be made an order of court by any court. Any such award which has been made an order of court pursuant to the provisions of the Enforcement Act, may be enforced in the same manner as any judgment or order to the same effect (subject to the provisions of the Protection of Business Act, 1978, which apply *mutatis mutandis* to foreign arbitral awards).

Effect of Liquidation on Civil Proceedings

In general and subject to certain exceptions, civil proceedings (including arbitration proceedings) instituted by or against an insolvent are automatically stayed on the liquidation of the insolvent's estate until the appointment of a liquidator. A plaintiff wishing to continue with such proceedings against the insolvent must give notice of its intention to do so within a period of three weeks from the date of the first meeting of creditors, in accordance with the provisions of the Companies Act, 1973. If notice is not so given, the proceedings shall be considered to be abandoned unless a court otherwise directs. In circumstances where the court finds that there was a reasonable excuse for a failure to give the requisite notice, it has a discretion to allow a plaintiff to continue with proceedings on such conditions as it thinks fit.

LEGAL MATTERS

Certain legal matters in connection with the offering will be passed upon for us by Paul, Weiss, Rifkind, Wharton & Garrison LLP, London, England, and Deneys Reitz Inc., Johannesburg, South Africa. Certain legal matters in connection with the offering will be passed upon for the initial purchaser by Shearman & Sterling LLP, London, England and Webber Wentzel Bowens, Johannesburg, South Africa.

INDEPENDENT ACCOUNTANTS

In this prospectus, the annual financial statements as of December 31, 2002, 2003 and 2004 for the years then ended have been audited by KPMG Inc., independent accountants, as stated in the reports appearing herein which emphasize that for the years ended December 31, 2003 and 2004 the company had incurred net losses and at December 31, 2003 and 2004 the group total liabilities exceeded its total assets and that as of December 31, 2002 certain direct and indirect shareholders of the company had subordinated their claims against the company.

WHERE YOU CAN FIND MORE INFORMATION

We are not subject to the periodic reporting and other information requirements of the U.S. Securities Exchange Act of 1934.

Each purchaser of the notes from the initial purchaser will be furnished with a copy of this prospectus, and to the extent provided to the initial purchaser by us for such purpose, any related amendments or supplement to this prospectus. Each person receiving this offering memorandum and any related amendments or supplements to the prospectus acknowledges that:

(1) such person has been afforded an opportunity to request from us, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

(2) such person has not relied on the initial purchaser or any person affiliated with the initial purchaser in connection with its investigation of the accuracy of such information or its investment decision; and

(3) except as provided pursuant to (1) above, no person has been authorised to give any information or to make any representation concerning the notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorised by us or the initial purchaser.

For so long as any of the notes remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act, we will, during any period in which we are not subject to Section 13 or 15(d) under the Exchange Act, nor exempt from reporting thereunder pursuant to Rule 12g3-2(b), make available to any holder or beneficial holder of a note, or to any prospective purchaser of a note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) of the U.S. Securities Act upon the written request of any such holder or beneficial holder. Any such request should be directed to us at 150 Rivonia Road, Sandown, 2196, South Africa, telephone number +27 (11) 324 4000.

LISTING AND GENERAL INFORMATION

Listing

Application has been made to list the notes on the EuroMTF in accordance with the rules of that exchange. Notice of any optional redemption, change of control or any change in the rate or interest payable on the notes will be published in a Luxembourg newspaper of general circulation (which is expected to be the *d'Wort*).

For so long as the notes are listed on the EuroMTF and the rules of that exchange require, copies of the following documents may be inspected and obtained at the specified office of the listing agent in Luxembourg during normal business hours on any weekday:

- our organisational documents;
- the organisational documents of Cell C Service Provider Company (Pty) Limited and Cell C Property Company (Pty) Limited;
- our most recent audited financial statements and the most recent audited financial statements of Cell C Service Provider Company (Pty) Limited and Cell C Property Company (Pty) Limited;
- any interim quarterly financial statements published by us;
- resolutions of our board of directors and the board of directors of each of Cell C Service Provider Company (Pty) Limited and Cell C Property Company (Pty) Limited authorising the offering;
- the purchase agreement relating to the notes; and
- the senior subordinated indenture (which includes the form of the notes).

We will maintain a paying and transfer agent in Luxembourg for as long as any of the notes are listed on the EuroMTF. We reserve the right to vary such appointment and will publish notice of such change of appointment in a newspaper having a general circulation in Luxembourg (which is expected to be the *d'Wort*). The time limit on validity of claims is based on New York law, which in general is in six years.

As of the date of this prospectus, our most recent audited financial statements available were as of and for the year ended December 31, 2004. Except as disclosed in this prospectus, as of the date of this prospectus, there has been no material adverse change in our financial position or the financial position of our wholly owned subsidiaries, Cell C Property Company (Pty) Limited, and Cell C Service Provider Company (Pty) Limited, since December 31, 2004. KPMG Inc., our auditor, has given and not withdrawn its written consent to the inclusion in this offering memorandum of their audit reports for the years ended December 31, 2004, December 31, 2003 and December 31, 2002.

South African Commercial Paper Regulations

KPMG Inc., independent auditors, have confirmed that the issuance of the notes complies in all respects with the provisions of Government Notice 2172 (Government Gazette 16167) of December 14, 1994 - Commercial Paper Regulations (the "Notice"). After giving effect to this offering and the offering of the senior secured notes, we will have €625.0 million of commercial paper outstanding for purposes of the Notice and do not expect to issue additional commercial paper during the remainder of the current financial year.

Clearing Information

The senior subordinated notes sold pursuant to Regulation S and Rule 144A of the U.S. Securities Act have been accepted for clearance through the facilities of Euroclear and Clearstream Banking and DTC under common code 022464485 and CUSIP 15114VAAO, respectively. The international securities identification number for the senior subordinated notes sold pursuant to Regulation S is USS16721AB81 and the international securities identification number for the senior subordinated notes sold pursuant to Rule 144A is US151141AA08.

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Cell C (Proprietary) Limited

Directors' responsibility for the annual financial statements

The directors are responsible for monitoring the preparation of and the integrity of the financial statements and related information included in this annual report.

In order for the board to discharge its responsibilities, management has developed and continues to maintain a system of internal control. The board has ultimate responsibility for the system of internal controls and reviews its operations, primarily through risk-monitoring committees.

The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable but not absolute assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the group's policies and procedures. These controls are implemented by trained, skilled personnel with an appropriate segregation of duties, are monitored by management and include a comprehensive budgeting and reporting system operating within strict deadlines and an appropriate control framework.

The financial statements are prepared in accordance with South African Generally Accepted Accounting Practice and International Financial Reporting Standards and incorporate disclosure in line with the accounting philosophy of the group. They are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors believe that the group will be a going concern in the year ahead. In this regard particular attention is being given to the capital requirements of the business as more fully set out in the notes to these annual financial statements. For this reason they continue to adopt the going concern basis in preparing the group annual financial statements.

A directors' report has not been presented as the company is a wholly owned subsidiary of a company registered in the Republic of South Africa.

The annual financial statements for the year ended December 31, 2004 set out on pages 4 to 37 have been approved by the board of directors on March 31, 2005 and are signed on its behalf by -

/s/ Muhieddine Ghalayini
Director

/s/ Ian Pierce
Director

Cell C (Proprietary) Limited

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The directors are responsible for monitoring the preparation of and the integrity of the financial statements and related information included in this annual report.

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A directors' report has not been presented as the company is a wholly owned subsidiary of a company registered in the Republic of South Africa.

The annual financial statements for the year ended December 31, 2003 set out on pages 4 to 38 have been approved by the board of directors on March 23, 2004 and are signed on its behalf by -

/s/ Muhieddine Ghalayini	/s/ Ian Pierce
Director	*Director*

Cell C (Proprietary) Limited

Directors' responsibility for the annual financial statements

The directors are responsible for monitoring the preparation of and the integrity of the financial statements and related information included in this annual report.

In order for the board to discharge its responsibilities, management has developed and continues to maintain a system of internal control. The board has ultimate responsibility for the system of internal controls and reviews its operations, primarily through risk-monitoring committees.

The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable but not absolute assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the group's policies and procedures. These controls are implemented by trained, skilled personnel with an appropriate segregation of duties, are monitored by management and include a comprehensive budgeting and reporting system operating within strict deadlines and an appropriate control framework.

The financial statements are prepared in accordance with South African Generally Accepted Accounting Practice and incorporate disclosure in line with the accounting philosophy of the group. They are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors believe that the group will be a going concern in the year ahead. For this reason they continue to adopt the going concern basis in preparing the group annual financial statements.

A directors' report has not been presented as the company is a wholly owned subsidiary of a company registered in the Republic of South Africa.

The annual financial statements for the year ended 31 December 2002 set out on pages 4 to 32 have been approved by the board of directors on 13 March 2003 and are signed on its behalf by -

/s/ Muhieddine Ghalayini
Director

/s/ Ian Pierce
Director

Report of the independent auditors

To the member of Cell C (Proprietary) Limited

We have audited the annual financial statements and group annual financial statements of Cell C (Proprietary) Limited set out on pages 4 to 37 for the year ended 31 December 2004. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and of the group at 31 December 2004 and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice and International Financial Reporting Standards, and in the manner required by the Companies Act in South Africa.

Without qualifying our opinion, we draw attention to note 24 to the financial statements which indicates that the company incurred a net loss for the year ended 31 December 2004 of R670 million and as of that date its total liabilities exceeded its total assets by R2 139 million. The group incurred a net loss for the year ended 31 December 2004 of R681 million and as of that date the group's total liabilities exceeded its total assets by R2 094 million. Note 24 to the financial statements also indicates why, in these circumstances, the financial statements are prepared on the basis of accounting policies applicable to a going concern.

KPMG Inc.
Registered Accountants and Auditors
Chartered Accountants (SA)

Per DR Clark
Director
31 March 2005

Report of the independent auditors

To the member of Cell C (Proprietary) Limited

We have audited the annual financial statements and group annual financial statements of Cell C (Proprietary) Limited set out on pages 4 to 38 for the year ended 31 December 2003. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company and of the group at 31 December 2003 and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice and International Financial Reporting Standards, and in the manner required by the Companies Act in South Africa.

Going concern

Without qualifying our opinion, we draw attention to note 25 to the financial statements which indicates that the company incurred a net loss for the year ended 31 December 2003 of R967 million and as of that date its total liabilities exceeded its total assets by R1 469 million. The group incurred a net loss for the year ended 31 December 2003 of R911 million and as of that date the group's total liabilities exceeded its total assets by R1 413 million. Note 25 to the financial statements also indicates why, in these circumstances, the financial statements are prepared on the basis of accounting policies applicable to a going concern.

KPMG Inc.
Registered Accountants and Auditors
Chartered Accountants (SA)

Per DR Clark
Director
23 March 2004

Report of the independent auditors

To the member of Cell C (Proprietary) Limited

We have audited the annual financial statements and group annual financial statements of Cell C (Proprietary) Limited set out on pages 4 to 32 for the year ended 31 December 2002. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with Statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company and of the group at 31 December 2002 and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.

Emphasis of matter

Without qualifying our opinion above, we draw your attention to the contents of note 15, whereby the shareholder of the company has subordinated its claim to a loan in favour of other creditors.

KPMG Inc.
Registered Accountants and Auditors
Chartered Accountants (SA)

Per DR Clark
Partner
13 March 2003

Cell C (Proprietary) Limited

Income statements
for the year ended December 31, 2004

	Note	Group 2004	Group 2003	Company 2004	Company 2003
		(R in thousands)			
Revenue	*2*	4 099 629	2 461 212	4 029 575	2 463 074
Other income		1 599	3 243	29 863	3 042
Operating expenses					
Cost of hardware sales		(903 390)	(868 135)	(947 137)	(845 199)
Payments to other operators	*3.1*	(1 154 762)	(1 052 706)	(1 154 762)	(1 052 707)
Commissions, incentives and cost of sales		(886 714)	(424 515)	(931 258)	(620 964)
Selling, general and administrative expenses	*3.2*	(614 543)	(693 487)	(459 906)	(530 796)
External services rendered	*3.3*	(61 360)	(115 478)	(59 263)	(113 439)
Employee expenses		(386 401)	(331 574)	(252 610)	(208 072)
Operating lease costs	*3.4*	(140 660)	(102 756)	(142 148)	(87 620)
Depreciation and amortisation	*3.5*	(629 812)	(472 297)	(624 002)	(455 886)
Provision for losses				(109 736)	(150 552)
Operating loss		(676 414)	(1 596 493)	(621 384)	(1 599 119)
Investment income		16 800	34 318	15 524	32 035
Loss before financing and taxation		(659 614)	(1 562 175)	(605 860)	(1 567 084)
Finance gains	*4*	56 623	354 271	56 638	354 221
Loss before tax		(602 991)	(1 207 904)	(549 222)	(1 212 863)
Income tax	*5*	(77 724)	296 644	(120 748)	245 558
Loss for the year		(680 715)	(911 260)	(669 970)	(967 305)

Cell C (Proprietary) Limited

Balance sheets
at December 31, 2004

	Note	Group 2004	Group 2003	Company 2004	Company 2003
			(R in thousands)		
Assets					
Non-current assets					
Property, plant and equipment	6	2 543 557	2 232 443	2 522 573	2 215 109
Intangible assets	7	651 366	542 030	655 376	532 280
Goodwill	8	—	529	—	529
Deferred taxation	9	896 089	972 743	768 829	888 508
Interest in subsidiaries	10			153 000	153 000
Current assets		1 691 594	1 192 405	4 190 106	2 474 866
Inventories	11	250 338	201 619	160 819	114 968
Accounts receivable	12	1 012 841	618 650	677 079	409 438
Amounts due by subsidiaries	10			2 954 094	1 592 299
Cash and cash equivalents	13	256 185	275 145	225 884	261 170
Derivative revaluations	18	172 230	96 991	172 230	96 991
Total assets		5 782 606	4 940 150	8 289 884	6 264 292
Equity and liabilities					
Capital and reserves					
Ordinary share capital	14	525 525	525 525	525 525	525 525
Accumulated loss		(2 619 197)	(1 938 482)	(2 664 497)	(1 994 527)
		(2 093 672)	(1 412 957)	(2 138 972)	(1 469 002)
Non-current liabilities					
Interest bearing loans and borrowings	15	6 191 132	4 888 744	6 191 132	4 888 744
Current liabilities		1 685 146	1 464 363	4 237 724	2 844 550
Provisions	16	65 116	77 648	447 186	335 080
Accounts payable	17	1 250 339	1 144 946	1 067 079	969 461
Current portion of interest bearing loans and borrowings	15	75 238	49 951	75 238	49 951
Amounts due to subsidiaries	10			2 353 768	1 298 240
Derivative revaluations	18	294 453	191 818	294 453	191 818
Total equity and liabilities		5 782 606	4 940 150	8 289 884	6 264 292

Cell C (Proprietary) Limited

Statements of changes in equity for the year ended December 31, 2004

	Ordinary share capital	Share premium	Accumulated loss	Total
		(R in thousands)		
Group				
Balance at January 1, 2003	*	—	(1 027 222)	(1 027 222)
Shares issued	*	525 525	—	525 525
Net loss for the year			(911 260)	(911 260)
Balance at December 31, 2003	*	525 525	(1 938 482)	(1 412 957)
Net loss for the year			(680 715)	(680 715)
Balance at December 31, 2004	*	525 525	(2 619 197)	(2 093 672)
Company				
Balance at January 1, 2003	*	—	(1 027 222)	(1 027 222)
Shares issued	*	525 525	—	525 525
Net loss for the year			(967 305)	(967 305)
Balance at December 31, 2003	*	525 525	(1 994 527)	(1 469 002)
Net loss for the year			(669 970)	(669 970)
Balance at December 31, 2004	*	525 525	(2 664 497)	(2 138 972)

* amounts less than R1 000.

Cell C (Proprietary) Limited

Cash flow statements
for the year ended December 31, 2004

	Note	Group 2004	Group 2003	Company 2004	Company 2003
		(R in thousands)			
Cash utilised by operations	*23.1*	(534 523)	(892 338)	(559 049)	(894 262)
Net interest paid		(452 868)	(292 183)	(454 129)	(294 393)
Tax paid	*23.2*	(1 070)	(1 183)	(1 070)	—
Net cash outflow from operating activities		(988 461)	(1 185 704)	(1 014 248)	(1 188 655)
Cash flows from investing activities					
Proceeds on disposal of property, plant and equipment		5 151	755	5 151	20
Acquisition of property, plant and equipment—additions		(931 796)	(1 196 950)	(922 336)	(1 173 035)
Net cash outflow from investing activities		(926 645)	(1 196 195)	(917 185)	(1 173 015)
Cash flows from financing activities					
Share issue		—	525 525	—	525 525
Increase in interest bearing loans and borrowings	*23.3*	1 870 859	3 111 642	1 870 860	3 111 642
Increase/(decrease) in current portion of interest bearing loans and borrowings		25 287	(996 239)	25 287	(996 239)
Net cash inflow from financing activities		1 896 146	2 640 928	1 896 147	2 640 928
Net (decrease)/increase in cash and cash equivalents		(18 960)	259 029	(35 286)	279 258
Cash acquired on purchase of business		—	—	—	5 207
Cash and cash equivalents at beginning of year		275 145	16 116	261 170	(23 295)
Cash and cash equivalents at end year		256 185	275 145	225 884	261 170

Cell C (Proprietary) Limited

Notes to the financial statements
for the year ended December 31, 2004

1. Accounting policies

1.1 Basis of preparation

The financial statements comply with International Financial Reporting Standards (IFRS) of the International Accounting Standards Board, South African Statements of Generally Accepted Accounting Practice (SA GAAP), and the Companies Act in South Africa. The financial statements are prepared on the historical cost basis, with the exception of certain financial instruments which are measured at fair value, in conformity with IFRS and SA GAAP.

Details of the group's accounting policies are set out below, and are consistent with those applied in the previous year.

The preparation of financial statements requires the use of the estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Although these estimates are based on management's best knowledge of current events and actions that the group may undertake in the future, actual results may differ from those estimated.

1.2 Basis of consolidation

Investment in subsidiaries

Subsidiaries are those entities over whose financial and operating policies the group has the power to exercise control, so as to obtain benefits from their activities.

The group financial statements incorporate the assets, liabilities and results of the operations of the company and its subsidiaries. The results of subsidiaries acquired and disposed of during a financial year are included from the effective dates of acquisition and to the effective dates of disposal. Where necessary, the accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the group.

Investments in subsidiaries are carried at cost.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains or losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

1.3 Property, plant and equipment

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. The cost of plant and equipment acquired under contracts which include an embedded derivative is calculated at the forward rates implicit in the embedded derivative. The cost of self-constructed assets includes the cost of materials and direct labour.

Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment.

Depreciation is provided on the straight line basis, at rates considered appropriate to fully amortise the assets over the estimated useful lives.

Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that future economic benefits from the use of the asset will be increased. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Surpluses/(deficits) on the disposal of property, plant and equipment are credited/(charged) to income. The surplus or deficit is the difference between the net disposal and the carrying amount of the asset.

The group expenses the costs associated with the repair and maintenance of its telecommunication network, unless these add to the value of the assets or prolong the useful lives.

1.4 Leases

Finance leases

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the group are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease, and depreciated over the shorter of the estimated useful life of the asset. The capital element of future obligations under the leases is included as a liability in the balance sheet. Lease payments are allocated using the effective interest rate method to determine the lease finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor.

Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are charged against income on a straight line basis over the period of the lease.

1.5 Intangible assets

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, and expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation.

Other intangible assets acquired by the group are stated at cost less accumulated amortisation and impairment losses.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other subsequent expenditure is expensed as incurred.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets.

The difference between the net disposal proceeds and the carrying amount of an intangible asset is the gain or loss on disposal of that asset. These gains and losses are recognised in income.

Subscriber acquisition costs

Subscriber acquisition costs relating to post paid customers are capitalised and amortised over the period of the contract, not exceeding twenty four months.

Subscriber acquisition costs relating to prepaid customers are expensed as incurred.

1.6 Impairment

The carrying amounts of the group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable

amount is estimated. The recoverable amount is the higher of its net selling price and its value in use. For intangible assets that are not yet available for use, or goodwill the recoverable amount is estimated at each balance sheet date.

In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

For an asset that does not generate cash inflows that are largely independent of those from other assets the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised in the income statement whenever the carrying amount of the cash-generating unit exceeds its recoverable amount.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years.

For goodwill a recognised impairment loss is not reversed, unless the impairment loss was caused by a specific external event of an exceptional nature that is not expected to recur and the increase relates clearly to the reversal of the effect of that specific event.

1.7 Inventories

Inventories are carried at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition, and is determined using the weighted average method. Obsolete, redundant and slow moving inventories are identified on a regular basis and are written down to their estimated net realisable values.

1.8 Financial instruments

Measurement

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

Trade and other receivables

Trade and other receivables originated by the group are stated at cost less provision for doubtful debts.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at balance sheet date.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisations. Transaction costs associated with financial liabilities are included on initial recognition where appropriate. These transaction costs are amortised over the period equivalent to the period of the financial liability.

Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Derivative instruments and hedging activities

All derivatives are recognised on the balance sheet at their fair value. On the date the derivative contract is entered into the group designates the derivatives as either a hedge of the fair value of a recognised asset or liability (fair value hedge) or a hedge of a forecasted transaction (cash flow hedge). Certain derivatives transactions while providing effective economic hedges under the groups risk management policies, do not qualify for hedge accounting and are accordingly not classified as a hedge for accounting purposes. Derivative instruments are not entered into for trading or speculative purposes.

Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a fair value hedge, are recorded in the income statement along with the change in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash flow hedge, are recognised directly in equity (hedging reserve). Amounts deferred in equity are included in the income statement in the same periods during which the hedged firm commitment or forecasted transaction affects profit or loss.

Changes in the fair value of derivatives that do not qualify for hedge accounting are recognised in the income statement. Management is satisfied that the amount provides an effective economic hedge against changes in the value of liabilities that has been recognised through the income statement.

The group formally assess, both at hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the fair value or cash flows of hedged items.

The fair value of a publicly traded derivative is based upon quoted market values at balance sheet date.

1.9 Revenue

The group provides mobile communication services and communication related products. The group provides such services to postpaid, prepaid and community service telephone (CST) markets. Revenue represents the value of fixed consideration that has been received or is receivable. Revenue for services is stated at amounts invoiced to customers and excludes Value Added Tax.

Revenue is recognised when there is evidence of an arrangement, collectability is reasonably assured, and the delivery of the product or service has occurred. In certain circumstances revenue is split into separately identifiable components and recognised when the related components are delivered in order to reflect the substance of the transaction. The value of components is determined using verifiable objective evidence. The group does not provide customers with the right to a refund.

Traffic and value-added services

Prepaid traffic service revenue collected in advance is deferred and recognised based on actual usage or upon expiration of the usage period or whichever comes first. The terms and conditions of certain prepaid products allow carry over of unused minutes. Revenue related to the carry over of unused minutes is deferred until usage or expiration. Payphone service revenue is recognised when the service is provided. Community phone revenue collected in advance is deferred and recognised based on actual usage or upon expiration of the usage period, whichever comes first.

Interconnection revenue for call termination is recognised in the period the traffic occurs. Revenue related to on network, network to network, roaming and international call connection services is recognised when the call is placed or the connection provided. Revenue related to products and value-added-services is recognised upon delivery and acceptance of the product or service.

Contract revenue

These contracts may include a subsidised handset, 24-month service, activation, SIM-card and other ancillary services. Revenue is recognised as follows:

- the loss on the subsidised handset, which includes costs of the handset and SIM-card is capitalised in intangibles and amortised over the contract period, not exceeding twenty four months;
- activation fee revenue received from customers is recognised upon activation by the customer;
- monthly access revenue received from the customer is recognised in the period in which the service is delivered;
- airtime revenue is recognised on the usage basis;
- any other costs incurred as a result of a new customer are capitalised in intangibles and amortised over the contract period, not exceeding twenty four months.

Prepaid revenue

Airtime

Upon purchase of an airtime voucher the customer receives the right to make outgoing calls and receive incoming calls. Revenue is recognised as the customer utilises the voucher.

Remaining elements of prepaid packages

When a prepaid package is sold, all the costs, which include the cost of the SIM-card, together with the commission, are treated as a customer acquisition cost. The cost of acquisition for prepaid customers is expensed in the period in which it occurs.

Equipment sales

Revenue from the sales of communication equipment is recognised upon delivery and acceptance by the customer.

1.10 Commission and incentives

The group pays incentives to service providers and dealers for new activations, retention of existing customers and reaching specific sales targets. Prepaid incentives are expensed as incurred. Postpaid incentives are capitalised where appropriate and amortised as subscriber acquisition costs.

1.11 Investment income

Interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is probable that such income will accrue to the group.

1.12 Finance costs

Interest paid on liabilities is expensed in the income statement as incurred. The cost of raising finance is capitalised and recognised over the term of the finance agreement.

1.13 Tax

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted at the balanced sheet date, and any adjustment of tax payable for previous years.

Deferred tax is provided using the balance sheet liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial

reporting purposes and their tax base. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax is charged to the income statement except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination that is an acquisition. The effect on deferred tax of any changes in tax rates is recognised in the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1.14 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are recorded at the rate of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Gains and losses arising on translation are credited to or charged against income.

1.15 Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation. Where the effect of discounting is material, provisions are discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Unearned revenue

A provision for unearned revenue is recognised when the group has sold prepaid airtime but has not yet delivered the service to the end user. The provision represents the value of the unused airtime and offsets against revenue.

Warranties

The group provides for warranties on items sold to the extent that the warranty given to the customer will exceed the manufacturers' warranty.

1.16 Employee benefits

Short term employee benefits

The cost of all short term employee benefits is recognised during the period in which the employee renders the related service.

The provisions for employee entitlements to wages, salaries, annual and sick leave represent the amount which the group has a present obligation to pay as a result of employees' services provided to the balance sheet date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates.

Retirement benefits

The company and its subsidiaries contribute to a defined contribution plan. Contributions to defined contribution funds are charged against income as incurred.

1.17 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, and investments in money market instruments, net of bank overdrafts, all of which are available for use by the group unless otherwise stated.

Cell C (Proprietary) Limited

Notes to the financial statements—(Continued)
for the year ended December 31, 2004

	Group		Company	
	2004	2003	2004	2003
	(R in thousands)			
2. Revenue				
Airtime and access	2 063 361	986 949	1 880 892	937 194
Data revenue	79 041	41 063	67 798	33 519
International revenue	20 014	7 421	20 014	7 421
Equipment sales	867 272	656 400	990 930	715 561
Interconnect revenue	1 069 941	769 379	1 069 941	769 379
	4 099 629	2 461 212	4 029 575	2 463 074
3. Operating loss				
3.1 Payments to other operators	1 154 762	1 052 706	1 154 762	1 052 706
– Interconnect	676 707	424 474	676 707	424 474
– Roaming	427 073	567 557	427 073	567 557
– Transmission links	50 982	60 675	50 982	60 675
3.2 Selling, general and admin expenses	614 543	693 487	459 906	530 796
– marketing costs	301 018	312 653	265 486	313 698
– selling, general and admin expenses	313 525	380 834	194 420	217 098
3.3 External services rendered	61 360	115 478	59 263	113 439
– consultancy services rendered	55 820	108 313	54 454	108 028
– auditors remuneration				
– audit fee	1 600	2 225	1 100	1 158
– expenses	50	2 927	30	2 915
– legal fees	3 890	2 013	3 679	1 338
3.4 Operating lease costs	140 660	102 756	142 148	87 620
– property	138 842	99 906	140 335	84 770
– office equipment	1 818	2 850	1 813	2 850
3.5 Depreciation and amortisation	629 812	472 297	624 002	455 886
Depreciation of property, plant and equipment	616 581	458 689	610 771	442 278
– GSM network	331 723	239 667	331 723	239 667
– computer equipment	62 901	54 835	59 608	51 682
– CST equipment	9 923	1 014	9 923	1 014
– furniture and fittings	5 482	3 410	4 242	1 969
– leasehold improvements	35 427	22 584	35 382	11 720
– office equipment	3 114	2 088	2 162	1 166
– software	164 316	131 728	164 036	131 697
– motor vehicles—commercial	2 810	1 150	2 810	1 150
– motor vehicles—passenger	885	2 213	885	2 213
Amortisation	13 231	13 608	13 231	13 608
– goodwill	529	907	529	907
– license agreement	12 702	12 701	12 702	12 701

	Group 2004	Group 2003	Company 2004	Company 2003
	(R in thousands)			
4. Finance gains				
Interest paid	(431 633)	(293 942)	(431 618)	(293 868)
Financing costs	(38 035)	(32 560)	(38 035)	(32 560)
Foreign exchange gains	677 474	1 111 056	677 474	1 110 932
– realised	43 156	71 020	43 156	70 896
– unrealised	634 318	1 040 036	634 318	1 040 036
Foreign exchange losses	(151 183)	(430 283)	(151 183)	(430 283)
– realised	(57 940)	(51 144)	(57 940)	(51 144)
– unrealised	(93 243)	(379 139)	(93 243)	(379 139)
	56 623	354 271	56 638	354 221
5. Income tax				
South African normal tax				
– prior period tax paid	(1 070)	—	(1 070)	—
– deferred : current	(44 229)	296 644	(90 061)	245 558
– deferred : change in tax rate	(32 425)	—	(29 617)	—
Total tax	(77 724)	296 644	(120 748)	245 558
Estimated tax losses available for utilisation against future taxable income	4 055 755	4 099 743	3 682 435	3 900 287
Applied to create deferred tax asset	(4 055 755)	(4 099 743)	(3 682 435)	(3 900 287)
	—	—	—	—
Reconciliation of tax rate				
Current year's charge	(77 724)	296 644	(120 748)	245 558
Change in tax rate	32 425	—	29 617	—
Disallowed expenditure	14 022	(25 521)	44 261	26 589
Prior year adjustment	206 144	91 248	206 144	91 712
Standard tax	174 867	362 371	159 274	363 859
	%	%	%	%
Current year's charge as a percentage of income before taxation	(12,9)	24,6	(22,0)	20,2
Change in tax rate	5,4	—	5,4	—
Disallowed expenditure	2,3	(2,2)	8,0	2,2
Prior year adjustment	34,2	7,6	37,6	7,6
Standard tax rate	29,0	30,0	29,0	30,0

6. Property, plant and equipment

6.1 Group

	Depreciation rate	Cost or valuation	Accumulated depreciation	Carrying amount
	%		(R in thousands)	
2004				
Owned				
Assets at cost modified due to impact of embedded derivative				
GSM network	14	2 066 946	671 362	1 395 584
Assets at cost				
Computer equipment	33	217 739	141 901	75 838
CST equipment	20	85 397	10 937	74 460
Furniture and fittings	10	47 205	10 919	36 286
Leasehold improvements	20	221 307	69 520	151 787
Office equipment	20	15 906	6 347	9 559
Software	33	520 970	368 422	152 548
Capital work in progress		624 203	—	624 203
Leased				
Motor vehicles—commercial	25	23 386	5 167	18 219
Motor vehicles—passenger	20	6 692	1 619	5 073
		3 829 751	1 286 194	2 543 557
2003				
Owned				
Assets at cost modified due to impact of embedded derivative				
GSM network	14	1 760 263	339 639	1 420 624
Assets at cost				
Computer equipment	33	190 195	79 000	111 195
CST equipment	20	24 981	1 014	23 967
Furniture and fittings	10	41 195	5 437	35 758
Leasehold improvements	20	160 141	34 093	126 048
Office equipment	20	12 721	3 233	9 488
Software	33	470 766	204 106	266 660
Capital work in progress		217 088	—	217 088
Leased				
Motor vehicles—commercial	25	17 854	2 532	15 322
Motor vehicles—passenger	20	7 903	1 610	6 293
		2 903 107	670 664	2 232 443

Leased assets are encumbered as detailed in note 15.

Cell C (Proprietary) Limited

Notes to the financial statements—(Continued)
for the year ended December 31, 2004

Reconciliation of carrying amounts

	GSM network	Computer equipment	CST Equip-ment	Furniture and fittings	Leasehold improve-ments	Office equip-ment	Software	Capital work in progress	Motor vehicles comm-ercial	Motor vehicles passenger	Total
					(R in thousands)						
2004											
Carrying amount at beginning of year	1 420 624	111 195	23 967	35 758	126 048	9 488	266 660	217 088	15 322	6 293	2 232 443
Additions	306 683	27 544	60 416	6 010	61 166	3 185	50 204	407 115	8 429	1 044	931 796
Disposals	—	—	—	—	—	—	—	—	(2 722)	(1 379)	(4 101)
Depreciation	(331 723)	(62 901)	(9 923)	(5 482)	(35 427)	(3 114)	(164 316)	—	(2 810)	(885)	(616 581)
Carrying amount at end of year	1 395 584	75 838	74 460	36 286	151 787	9 559	152 548	624 203	18 219	5 073	2 543 557
2003											
Carrying amount at beginning of year	873 054	113 013	—	24 449	82 442	10 775	218 986	158 712	7 461	6 038	1 494 930
Additions	787 237	53 153	24 981	15 296	66 217	809	179 402	58 376	9 011	2 468	1 196 950
Depreciation	(239 667)	(54 835)	(1 014)	(3 410)	(22 584)	(2 088)	(131 728)	—	(1 150)	(2 213)	(458 689)
Disposals	—	(136)	—	(577)	(27)	(8)	—	—	—	—	(748)
Carrying amount at end of year	1 420 624	111 195	23 967	35 758	126 048	9 488	266 660	217 088	15 322	6 293	2 232 443

	Depreciation rate	Cost or valuation	Accumulated depreciation	Carrying amount
	%		(R in thousands)	
6.2 Company				
2004				
Owned				
Assets at cost modified due to impact of embedded derivative				
GSM network	14	2 066 946	671 362	1 395 584
Assets at cost				
Computer equipment	33	206 092	134 065	72 027
CST equipment	20	85 397	10 937	74 460
Furniture and fittings	10	32 252	7 956	24 296
Leasehold improvements	20	221 084	69 429	151 655
Office equipment	20	10 972	4 239	6 733
Software	33	518 462	368 138	150 324
Capital work in progress		624 203	—	624 203
Leased				
Motor vehicles—commercial	25	23 386	5 167	18 219
Motor vehicles—passenger	20	6 692	1 620	5 072
		3 795 486	1 272 913	2 522 573
2003				
Owned				
Assets at cost modified due to impact of embedded derivative				
GSM network	14	1 765 836	343 354	1 422 482
Assets at cost				
Computer equipment	33	181 172	74 458	106 714
CST equipment	20	24 981	1 014	23 967
Furniture and fittings	10	30 145	3 714	26 431
Leasehold improvements	20	159 919	34 047	125 872
Office equipment	20	8 214	2 077	6 137
Software	33	468 905	204 102	264 803
Capital work in progress		217 088	—	217 088
Leased				
Motor vehicles—commercial	25	17 854	2 532	15 322
Motor vehicles—passenger	20	7 903	1 610	6 293
		2 882 017	666 908	2 215 109

Leased assets are encumbered as detailed in note 15.

Reconciliation of carrying amounts

	GSM network	Computer equipment	CST equip-ment	Furniture and fittings	Leasehold improve-ments	Office equip-ment	Software	Capital work in progress	Motor vehicles commercial	Motor vehicles passenger	Total
	(R in thousands)										
2004											
Carrying amount at beginning of year	1 422 482	106 714	23 967	26 431	125 872	6 137	264 803	217 088	15 322	6 293	2 215 109
Additions	304 825	24 921	60 416	2 107	61 165	2 758	49 557	407 115	8 429	1 043	922 336
Disposals	—	—	—	—	—	—	—	—	(2 722)	(1 379)	(4 101)
Depreciation	(331 723)	(59 608)	(9 923)	(4 242)	(35 382)	(2 162)	(164 036)	—	(2 810)	(885)	(610 771)
Carrying amount at end of year	1 395 584	72 027	74 460	24 296	151 655	6 733	150 324	624 203	18 219	5 072	2 522 573
2003											
Carrying amount at beginning of year	873 054	108 428	—	11 944	16 211	6 504	218 979	158 712	7 461	6 038	1 407 331
Additions	789 095	49 981	24 981	16 456	121 381	799	177 521	58 376	9 011	2 468	1 250 069
Disposals	—	(13)	—	—	—	—	—	—	—	—	(13)
Depreciation	(239 667)	(51 682)	(1 014)	(1 969)	(11 720)	(1 166)	(131 697)	—	(1 150)	(2 213)	(442 278)
Carrying amount at end of year	1 422 482	106 714	23 967	26 431	125 872	6 137	264 803	217 088	15 322	6 293	2 215 109

7. Intangible assets

	Amortisation period (years)	Cost or valuation	Accumulated amortisation	Carrying amount
		(R in thousands)		
Group				
2004				
Purchased intangible assets				
– fixed telecommunications licence	15	100 000	(23 333)	76 667
– licence acquisition costs	15	90 526	(21 123)	69 403
– subscriber acquisition costs	2	1 274 805	(769 509)	505 296
		1 465 331	(813 965)	651 366
2003				
Purchased intangible assets				
– fixed telecommunications licence	15	100 000	(16 667)	83 333
– licence acquisition costs	15	90 526	(15 087)	75 439
– subscriber acquisition costs	2	673 213	(289 955)	383 258
		863 739	(321 709)	542 030

Reconciliation of carrying amounts

	Fixed telecommunications licence	Licence acquisition costs	Subscriber acquisition costs	Total
		(R in thousands)		
Group				
2004				
Carrying amount at beginning of year	83 333	75 439	383 258	542 030
Additions	—	—	601 602	601 602
Amortisation	(6 666)	(6 036)	(479 564)	(492 266)
Carrying amount at end of year	76 667	69 403	505 296	651 366
2003				
Carrying amount at beginning of year	90 000	81 473	188 991	360 464
Additions	—	—	436 598	436 598
Amortisation	(6 667)	(6 034)	(242 331)	(255 032)
Carrying amount at end of year	83 333	75 439	383 258	542 030

	Amortisation period (years)	Cost or valuation	Accumulated amortisation	Carrying amount
		(R in thousands)		
Company				
2004				
Purchased intangible assets				
– fixed telecommunications licence	15	100 000	(23 333)	76 667
– licence acquisition costs	15	90 526	(21 123)	69 403
– subscriber acquisition costs	2	1 232 400	(723 094)	509 306
		1 422 926	(767 550)	655 376
2003				
Purchased intangible assets				
– fixed telecommunications licence	15	100 000	(16 667)	83 333
– licence acquisition costs	15	90 526	(15 087)	75 439
– subscriber acquisition costs	2	649 763	(276 255)	373 508
		840 289	(308 009)	532 280

	Fixed telecommunications licence	Licence acquisition costs	Subscriber acquisition costs	Total
		(R in thousands)		
Reconciliation of carrying amounts				
Company				
2004				
Carrying amount at beginning of year	83 333	75 439	373 508	532 280
Additions	—	—	582 638	582 638
Amortisation	(6 666)	(6 036)	(446 840)	(459 542)
Carrying amount at end of year	76 667	69 403	509 306	655 376
2003				
Carrying amount at beginning of year	90 000	81 473	172 849	344 322
Additions	—	—	430 870	430 870
Amortisation	(6 667)	(6 034)	(230 211)	(242 912)
Carrying amount at end of year	83 333	75 439	373 508	532 280

8. Goodwill

The estimated useful life of goodwill is 3 years.

Reconciliation of the carrying amount of goodwill

	Group 2004	Group 2003	Company 2004	Company 2003
	(R in thousands)			
Carrying amount at beginning of year	529	1 436	529	1 436
– cost	2 721	2 721	2 721	2 721
– accumulated amortisation	(2 192)	(1 285)	(2 192)	(1 285)
Arising on acquisition of distribution channel				
Amortisation charge	(529)	(907)	(529)	(907)
Carrying amount at end of year	—	529	—	529
– cost	2 721	2 721	2 721	2 721
– accumulated amortisation	(2 721)	(2 192)	(2 721)	(2 192)

9. Deferred taxation

	Group 2004	Group 2003	Company 2004	Company 2003
Balance at beginning of year	972 743	676 099	888 508	642 875
Current year movement	(76 654)	296 644	(119 679)	245 558
– tax loss	(12 757)	564 090	(65 414)	529 054
– change in tax rate	(32 419)	—	(26 506)	—
– temporary differences	(31 478)	(267 446)	(27 759)	(283 496)
Purchase of net assets of Property Company			—	75
Balance at end of year	896 089	972 743	768 829	888 508
Comprising –				
– fixed assets	(16 056)	(74 424)	(15 505)	(74 099)
– tax losses	1 176 169	1 229 923	1 067 906	1 170 144
– subscriber acquisition costs	(147 699)	—	(147 699)	—
– provisions	57 351	52 653	37 803	27 463
– prepayments	(9 980)	(4 075)	(9 980)	(3 666)
– foreign exchange differences	(163 696)	(231 334)	(163 696)	(231 334)
	896 089	972 743	768 829	888 508

The deferred tax asset represents the tax benefit to be utilised to off–set future tax liabilities.

10. Interest in subsidiaries

	Issued share capital	Percentage holding 2004	Percentage holding 2003	Shares at cost 2004	Shares at cost 2003	Due by subsidiaries 2004	Due by subsidiaries 2003
		%		(R in thousands)			
Directly held							
Cell C Service Provider Company (Proprietary) Limited	101	100	100	150 000	150 000	589 824	283 557
Cell C Property Company (Proprietary) Limited	101	100	100	3 000	3 000	10 502	10 502
				153 000	153 000	600 326	294 059

The company's voting power is in direct proportion to their percentage holdings.

	2004	2003
	(R in thousands)	
Shares at cost less amounts written off	153 000	153 000
Net loans due by subsidiaries	600 326	294 059
Amounts due by subsidiaries	2 954 094	1 592 299
Amounts due to subsidiaries	(2 353 768)	(1 298 240)
Less provision for losses	(327 714)	(217 978)
Net investment in subsidiaries	425 612	229 081

Loans to subsidiaries are made on market related terms at interest rates related to prime rates. There are no fixed terms of repayment.

	Group		Company	
	2004	2003	2004	2003
	(R in thousands)			
11. Inventories				
Merchandise	268 802	228 061	174 371	141 410
Provision for obsolescence	(18 464)	(26 442)	(13 552)	(26 442)
	250 338	201 619	160 819	114 968
12. Accounts receivable				
Included in accounts receivable are the following –				
Trade receivables	907 469	529 228	585 689	322 125
Prepayments and other sundry debtors	73 271	43 550	41 068	26 034
Advances paid to suppliers	50 322	61 279	50 322	61 279
Provision for doubtful debts and credit notes	(18 221)	(15 407)	—	—
	1 012 841	618 650	677 079	409 438
13. Cash and cash equivalents				
Cash at bank and on hand	114 266	48 837	83 965	34 862
Deposit	—	58 886	—	58 886
DSRA	141 919	167 422	141 919	167 422
	256 185	275 145	225 884	261 170

The DSRA balance has been pledged in favour of the secured long-term lenders of the company.

	Group 2004	Group 2003	Company 2004	Company 2003
14. Ordinary share capital				
Authorised				
1 000 (2003—1 000) ordinary shares of R1 each	1	1	1	1
Issued				
200 (2003—200) ordinary shares of R1 each	*	*	*	*
Share premium	525 525	525 525	525 525	525 525
	525 525	525 525	525 525	525 525

The unissued shares of the company are under the control of directors.

* amounts less than R1 000.

	Group		Company	
	2004	2003	2004	2003
	(R in thousands)			
15. Interest bearing loans and borrowings				
Unsecured loans				
3C Telecommunications (Pty) Ltd*	764 070	872 057	764 070	872 057
Loan of $135 196 524 (2003—$130 543 549) bearing interest at LIBOR plus 2% (2003—LIBOR plus 2%) with no fixed terms of repayment.				
Saudi Oger Limited*	3 104 298	1 979 412	3 104 298	1 979 412
Junior facility	1 077 417	1 232 185	1 077 417	1 232 185
Loan of $190 641 028 (2003—$184 453 381) bearing interest at LIBOR plus 1,75% (2003—LIBOR plus 1,75%), the loan is repayable on 31 December 2012.				
Shareholder loan 2*	267 003	307 127	267 003	307 127
Loan of $47 244 237 (2003—$45 975 784) bearing interest at LIBOR plus 2% (2003—LIBOR plus 2%), with no fixed terms of repayment.				
SOLF	1 760 749	438 871	1 760 749	438 871
Loan bearing interest at JIBAR plus 2.5% (2003—JIBAR plus 2.5%), the loan is repayable in 2008.				
Current Account	(871)	1 229	(871)	1 229
Loan of $154 190 (2003—$183 920) accruing/bearing interest at LIBOR plus 2% (2003—LIBOR plus 2%), with no fixed terms of repayment.				
Loan from CellSAf (Pty) Ltd*	721 895	696 925	721 895	696 925
Loan bearing interest at LIBOR plus 2% (2003—LIBOR plus 2%) with no fixed terms of repayment.				
The above unsecured loans indicated with an * have been subordinated by the shareholders in favour of other creditors.				
Carried forward	4 590 263	3 548 394	4 590 263	3 548 394

	Group		Company	
	2004	2003	2004	2003
	(R in thousands)			
Brought forward	4 590 263	3 548 394	4 590 263	3 548 394
Siemens vendor trade credit finance (fronting bank Deutsche Bank Luxemborg)	208 449	—	208 449	—
Loan bearing interest at JIBAR plus 2,5%, drawdown period two years and repayable in 4 quarterly instalments after drawdown				
Secured loans				
SACE Facility	344 355	259 028	344 355	259 028
Loan of $60 931 105 (2003—$38 775 434) bearing interest at LIBOR plus 2% (2003—LIBOR plus 2%).				
Hermes Facility	293 999	285 964	293 999	285 964
Loan of $52 020 884 (2003—$42 807 716) bearing interest at LIBOR plus 2% (2002—LIBOR plus 2%).				
The SACE and Hermes loans have a combined drawdown facility of $165 million. 60% of the facility has been hedged via a cross currency basis swap at an exchange rate of R8,4454 : $1. The cross currency swap matures on the 31 December 2011. Interest is accrued monthly and settled half yearly.				
Revolving Credit Facility				
ZAR	102 101	128 076	102 101	128 076
The rand loan bears interest at JIBAR plus 2% (2003—JIBAR plus 2%). Interest is accrued monthly and settled half yearly.				
USD				
Loan of $19 024 390 (2003—$19 024 390) bearing interest at LIBOR plus 2% (2003—LIBOR plus 2%). Interest is accrued monthly and settled half yearly.	107 517	127 087	107 517	127 087
Carried forward	5 646 684	4 348 549	5 646 684	4 348 549

	Group		Company	
	2004	2003	2004	2003
	(R in thousands)			
Brought forward	5 646 684	4 348 549	5 646 684	4 348 549
Development Bank of South Africa	300 000	300 000	300 000	300 000
Rand loan bearing interest at JIBAR plus 4,75% (2003—JIBAR plus 4,75%). Interest is accrued monthly and settled quarterly.				
Industrial Development Corporation	300 000	300 000	300 000	300 000
Rand loan bearing interest at JIBAR plus 4,75% (2003–JIBAR plus 4,75%). Interest is accrued monthly and settled quarterly.				
The above secured loans are secured by the shares and assets of the group and are governed by a Common Terms Agreement. The principle on these loans is repayable from December 2006 to December 2011.				
ICASA	154 616	138 107	154 616	138 107
Loan in respect of the Fixed Telecommunications Licence, bearing interest at prime rate and repayable over the period of the licence (15 years). Repayments commence in 2004. The loan is secured by the telecommunications licence.				
Capitalised Finance Costs	(158 276)	(169 883)	(158 276)	(169 883)
The costs of raising finance have been capitalised and amortised over the loan period. Amortisation is reflected as interest expense in the income statement.				
Carried forward	6 243 024	4 916 773	6 243 024	4 916 773

Cell C (Proprietary) Limited

Notes to the financial statements—(Continued)
for the year ended December 31, 2004

	Group		Company	
	2004	2003	2004	2003
	(R in thousands)			
Brought forward	6 243 024	4 916 773	6 243 024	4 916 773
Finance leases	23 346	21 922	23 346	21 922
Finance lease obligations capitalised at an effective rate prime minus 2% (2003—prime minus 2%). The leases are repayable over a period of eight to forty seven months. These liabilities are secured by lease agreements over assets with a net book value of R23,2 million (2003—R21,6 million) (see note 6). Monthly repayments are R588 490 (2003—R560 090).				
	6 266 370	4 938 695	6 266 370	4 938 695
Current portion included in current liabilities	(75 238)	(49 951)	(75 238)	(49 951)
Finance leases	(3 956)	(3 511)	(3 956)	(3 511)
ICASA	(71 282)	(46 440)	(71 282)	(46 440)
Long term liabilities	6 191 132	4 888 744	6 191 132	4 888 744
Reconciliation of finance leases				
Group and company				
Total minimum lease payments	11 731	15 485	11 731	15 485
Less: finance charges	(3 562)	(4 517)	(3 562)	(4 517)
Present value of finance lease obligation	8 169	10 968	8 169	10 968

	Total minimum lease payments		Present value at balance sheet date	
	2004	2003	2004	2003
	(R in thousands)			
Not later than 1 year	5 851	5 501	3 956	3 511
Between 1 and 5 years	5 880	9 984	4 213	7 457
	11 731	15 485	8 169	10 968

16. Provisions

	Balance brought forward	Net movement on provision	Closing balance
	(R in thousands)		
Group			
2004			
Unearned revenue	77 648	(12 532)	65 116
2003			
Unearned revenue	30 267	47 381	77 648
Company			
2004			
Unearned revenue	117 102	2 370	119 472
Provision for losses in subsidiaries	217 978	109 736	327 714
	335 080	112 106	447 186
2003			
Unearned revenue	91 498	25 604	117 102
Provision for losses in subsidiaries	67 426	150 552	217 978
	158 924	176 156	335 080

17. Accounts payable

	Group		Company	
	2004	2003	2004	2003
	(R in thousands)			
Trade payables	776 704	579 503	743 983	536 712
Accruals and other sundry payables	467 874	512 598	317 335	379 904
Contract retentions	5 761	52 845	5 761	52 845
	1 250 339	1 144 946	1 067 079	969 461

18. Derivative revaluations

	Group		Company	
	2004	2003	2004	2003
Hedge mark to market	288 701	191 818	288 701	191 818
FEC mark to market	5 752	(465)	5 752	(465)
Embedded derivative mark to market	(172 230)	(96 526)	(172 230)	(96 526)
	122 223	94 827	122 223	94 827

	Group		Company	
	2004	2003	2004	2003
	(R in thousands)			
19. Capital and lease commitments				
Authorised				
– contracted for	1 104 158	1 032 267	1 104 158	1 032 267
The proposed capital expenditure will be financed by additional long–term external finance to be raised in the market.				
Future operating lease charges for premises, office equipment and GSM network capacity.				
– payable within one year	478 574	117 655	478 574	117 655
– payable between 1 and 5 years	1 678 246	602 148	1 678 246	602 148
– payable after 5 years	778 666	564 589	778 666	564 589
	2 935 486	1 284 392	2 935 486	1 284 392
20. Employee benefits				
The group provides retirement benefits for all its permanent employees through a funded defined contribution pension scheme that is subject to the Pension Funds Act, 1956 as amended.				
Contributions	21 915	18 486	16 261	13 125
Number of employees	1 254	1 208	821	788

21. Financial instruments

Exposure to currency, interest rate and credit risk arises in the normal course of the group's business. Unless otherwise stated, the carrying amount of financial instruments approximates the fair value.

21.1 Financial risk management

The group is exposed to currency risk, interest rate risk and credit risk. Interest risk and currency risk are managed by a treasury committee in accordance with the groups hedging policy. This hedging policy focuses on the unpredictability of financial markets and seeks to minimise adverse effects on financial performance and reduce the volatility of earnings. Management has implemented a credit policy and the group's exposure to credit risk is monitored on an on going basis by operating divisions and the finance department.

21.2 Currency risk

The group incurs currency risk as a result of purchases and borrowings in foreign currencies. The currencies in which the group primarily deals are Euros and US Dollars. To the extent possible, receipts in foreign currency are used to settle foreign liabilities. Forward exchange contracts are entered into on a case-by-case basis to offset the foreign currency risk of order denominated in a foreign currency. Hedging of foreign borrowings is assessed on an ongoing basis and hedges are implemented in accordance with currency views and the group's hedging policy. Certain foreign borrowings required hedging of the foreign exchange risks as a special condition of such loans and in these cases hedges are implemented prior to drawdown dates.

21.3 Foreign assets and liabilities

The group and company had the following uncovered exposures to assets and liabilities denominated in foreign currencies.

	2004			2003		
	Foreign amount (in thousands)	Rate	(R in thousands)	Foreign amount (in thousands)	Rate	(R in thousands)
Group						
Assets						
US Dollar	25 112	5,65	141 921	25 570	6,68	170 812
Liabilities						
US Dollar	359 512	5,65	2 031 798	344 206	6,68	2 299 365

	2004			2003		
	Foreign amount (in thousands)	Rate	(R in thousands)	Foreign amount (in thousands)	Rate	(R in thousands)
Company						
Assets						
US Dollar	25 112	5,65	141 921	25 570	6,68	170 812
Liabilities						
US Dollar	359 512	5,65	2 031 798	344 206	6,68	2 299 365

Hedging

The group and company have the following forward exchange contracts to hedge forecast transactions denominated in foreign currency.

	Principal amount (in thousands)	Principal amount (R in thousands)	Transaction dates	Hedging instrument
Group				
Purchase of inventories (USD)	5 253	29 812	January 2005 to March 2005	Forward exchange contracts
Purchase of inventories (Euro)	9 454	73 352	January 2005 to March 2005	Forward exchange contracts

The group has entered into a cross currency swap in order to hedge the currency risk and interest rate risk associated with certain long term borrowings. In terms of this swap, the group has committed to purchase US$100 million at a rate of USD1: R8,44.

The cross currency swap has been revalued at year end with the resultant profit/(loss) being carried in the income statement (see note 18).

21.4 Interest rate risk

The group has generally adopted a policy of ensuring that its exposure to changes in interest rates is on a floating rate basis. In the future the group will evaluate its exposure to fixed and floating rate debt and enter into hedges with a view to reducing volatility in interest rate payments.

21.5 Credit risk

Credit evaluations are performed on all customers requiring credit over a certain amount. Reputable financial institutions are used for investing and cash handling purposes.

At balance sheet date there were no significant concentrations of credit risk.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

22. Related parties

22.1 Identity of related parties

The holding company of Cell C (Proprietary) Limited is 3C Telecommunications (Proprietary) Limited which holds 100% (2003—100%) of the company's ordinary shares.

The subsidiaries of the group are identified in note 10. The directors are listed in the directors' report of the holding company.

CellSAf (Proprietary) Limited holds 40% of the shares of 3C Telecommunications. The group traded with the following related parties during the year:

- Kunene Bros. (Proprietary) Limited
- Oger Telecom (South Africa) (Pty) Ltd
- Contract Kitting
- Desert Charm t/a Activate
- Customised Business Solutions
- Click and Call
- Atos Origin (Schlumberger Sema)

22.2 Material related party transactions

Material transactions with the company

Loans to and from related parties . . . . – see note 15
Interest received on loans to related parties . . . . – see note 15

Material transactions with the group

Loans to and from related parties . . . . – see note 15
Interest received on loans to related parties . . . . – see note 15

Material transactions with related party companies

	2004		2003	
	Transactions	Balance owing	Transactions	Balance owing
	(R in thousands)			
Kunene Bros (Pty) Ltd	43	—	20	—
Oger Telecom (South Africa) (Pty) Ltd	6 642	—	6 830	—
Desert Charm t/a Activate	(23 068)	1 250	5 657	—
Customised Business Solutions	751	146	1 364	—
Click and Call	(16 895)	—	3 924	—
Atos Origin (Schlumberger Sema)	7 387	4 659	6 356	2 662

All transactions with related party companies are trade related and are conducted at arms length. The related parties are either shareholders or parties related to CellSAf (Proprietary) Limited.

	Group		Company	
	2004	2003	2004	2003
	(R in thousands)			

23. Notes to the cash flow statement

23.1 Cash generated by operations

	Group 2004	Group 2003	Company 2004	Company 2003
Operating loss	(676 414)	(1 596 493)	(621 384)	(1 599 119)
Adjustments for –				
Profit on disposal of property, plant and equipment	(1 050)	(7)	(1 050)	(7)
Depreciation and amortisation	629 812	472 297	624 002	455 886
Subscriber acquisition costs incurred	(601 602)	(436 598)	(582 638)	(430 870)
Amortisation of subscriber acquisition costs	479 564	242 331	446 840	230 211
Realised foreign exchange gains	43 156	71 020	43 156	70 896
Realised foreign exchange losses	(57 940)	(51 144)	(57 940)	(51 144)
Operating loss before working capital changes	(184 474)	(1 298 594)	(149 014)	(1 324 147)
(Increase)/decrease in inventories	(48 719)	302 590	(45 851)	342 813
(Increase)/decrease in accounts receivable	(394 191)	(98 765)	(267 641)	72 437
Increase in accounts payable	105 393	155 050	97 618	13 603
(Decrease)/increase in provisions	(12 532)	47 381	112 106	176 156
Increase in amounts due by subsidiaries			(1 361 795)	(915 555)
Increase in amounts due to subsidiaries			1 055 528	740 431
	(534 523)	(892 338)	(559 049)	(894 262)

23.2 Tax paid

	Group 2004	Group 2003	Company 2004	Company 2003
Amount due at beginning of year	—	(1 183)	—	—
Current years tax charge	1 070	—	(1 070)	—
Amount due at end of year	—	—	—	—
Tax paid	(1 070)	(1 183)	(1 070)	—

23.3 Increase in interest bearing loans and borrowings

	Group 2004	Group 2003	Company 2004	Company 2003
Increase in interest bearing loans and borrowings	1 302 388	2 355 918	1 302 388	2 355 918
Adjusted for –				
Derivative revaluation	27 396	94 827	27 397	94 827
Unrealised foreign exchange gains	634 318	1 040 036	634 318	1 040 036
Unrealised foreign exchange losses	(93 243)	(379 139)	(93 243)	(379 139)
	1 870 859	3 111 642	1 870 860	3 111 642

24. Going concern

The company incurred a net loss for the year ended 31 December 2004 of R670 million (2003—R967 million) and as of that date its total liabilities exceeded its total assets by R2 139 million (2003—R1 469 million). The group incurred a net loss for the year ended 31 December 2004 of R681 million (2003—R911 million) and as of that date the group's total liabilities exceeded its total assets by R2 094 million (2003—R1 413 million). As indicated in note 15, 3C Telecommunications (Proprietary) Limited, Saudi Oger Limited and CellSAf (Proprietary) Limited have subordinated their right to claim or accept repayment of certain of their loans to the company in favour of the other creditors until the assets of the group and company, fairly valued exceed its liabilities. Accordingly, the financial statements are prepared on the basis of accounting policies applicable to a going concern.

25. Contingent liabilities

Mobile Telephone Network Limited (MTN) has brought legal action against Cell C (Proprietary) Limited, relating to a dispute on the community services telephone interconnect charges payable to MTN.

The group has accrued for the liability that it believes is owed in terms of the agreement. The unprovided portion amounts to R130 697 412.

The group has been advised that the claim by MTN is unlikely to be successful and accordingly no provision has been made for the disputed amount.

26. Segmental reporting

The group operates in a single business segment, wireless communication, and a single geographical region, South Africa. As a result, the income statement and balance sheet presented in these financial statements fully discloses the financial position of the segment. No additional segmental information has been provided.

Cell C (Proprietary) Limited

Income statements
for the year ended December 31, 2003

	Note	Group 2003	Group 2002	Company 2003	Company 2002
		(R in thousands)			
Revenue	*2*	2 461 212	1 242 365	2 463 074	1 182 380
Other income		3 243	1 496	3 042	1 503
Operating expenses					
Cost of hardware sales		(868 135)	(1 012 545)	(845 199)	(904 207)
Payments to other operators	*3.1*	(1 052 707)	(487 308)	(1 052 707)	(487 308)
Commissions, incentives and cost of sales		(424 514)	(61 915)	(620 964)	(292 793)
Selling, general and administrative expenses	*3.2*	(693 487)	(652 104)	(530 796)	(505 975)
External services rendered	*3.3*	(115 478)	(215 962)	(113 439)	(212 510)
Employee expenses		(331 574)	(221 420)	(208 072)	(138 090)
Operating lease costs	*3.4*	(102 756)	(50 233)	(87 620)	(39 291)
Depreciation and amortisation	*3.5*	(472 297)	(217 043)	(455 886)	(204 801)
Provision for losses				(150 552)	(43 055)
Operating loss		(1 596 493)	(1 674 669)	(1 599 119)	(1 644 147)
Investment income		34 318	19 527	32 035	17 833
Loss before financing and taxation		(1 562 175)	(1 655 142)	(1 567 084)	(1 626 314)
Finance gains	*4*	354 271	683 095	354 221	683 526
Loss before tax		(1 207 904)	(972 047)	(1 212 863)	(942 788)
Income tax	*5*	296 644	545 427	245 558	516 168
Loss for the year		(911 260)	(426 620)	(967 305)	(426 620)

Cell C (Proprietary) Limited

Balance sheets
at December 31, 2003

	Note	Group 2003	Group 2002	Company 2003	Company 2002
		(R in thousands)			
Assets					
Non-current assets					
Property, plant and equipment	*6*	2 232 443	1 494 930	2 215 109	1 407 331
Intangible assets	*7*	542 030	360 464	532 280	344 322
Goodwill	*8*	529	1 436	529	1 436
Interest in subsidiaries	*9*			153 000	153 000
Deferred taxation	*10*	972 743	676 099	888 508	642 875
Current assets		1 192 405	1 078 290	2 474 866	1 631 016
Inventories	*11*	201 619	504 209	114 968	457 781
Accounts receivable	*12*	618 650	519 885	409 438	337 873
Amounts due by subsidiaries	*9*			1 592 299	820 577
Derivative revaluations	*19*	96 991	—	96 991	—
Cash and cash equivalents	*13*	275 145	54 196	261 170	14 785
Total assets		4 940 150	3 611 219	6 264 292	4 179 980
Equity and liabilities					
Capital and reserves					
Ordinary share capital	*14*	525 525	*	525 525	*
Accumulated loss		(1 938 482)	(1 027 222)	(1 994 527)	(1 027 222)
		(1 412 957)	(1 027 222)	(1 469 002)	(1 027 222)
Non-current liabilities					
Interest bearing loans and borrowings	*15*	4 888 744	2 532 826	4 888 744	2 532 826
Current liabilities		1 464 363	2 105 615	2 844 550	2 674 376
Provisions	*16*	77 648	30 267	335 080	158 924
Accounts payable	*17*	1 144 946	989 895	969 461	849 940
Current portion of interest bearing loans and borrowings	*15*	49 951	1 046 190	49 951	1 046 190
Amounts due to subsidiaries	*9*			1 298 240	581 242
Bank overdraft	*18*	—	38 080	—	38 080
Derivative revaluations	*19*	191 818	—	191 818	—
Taxation		—	1 183	—	—
Total equity and liabilities		4 940 150	3 611 219	6 264 292	4 179 980

* amounts less than R1 000.

Cell C (Proprietary) Limited

Statements of changes in equity
for the year ended December 31, 2003

	Ordinary share capital	Share Premium	Accumulated loss	Total
		(R in thousands)		
Group				
Balance at January 1, 2002	*	—	(600 602)	(600 602)
Net loss for the year			(426 620)	(426 620)
Balance at December 31, 2002	*	—	(1 027 222)	(1 027 222)
Balance at January 1, 2003	*	—	(1 027 222)	(1 027 222)
Shares issued	*	525 525	—	525 525
Net loss for the year			(911 260)	(911 260)
Balance at December 31, 2003	*	525 525	(1 938 482)	(1 412 957)
Company				
Balance at January 1, 2002	*	*	(600 602)	(600 602)
Net loss for the year			(426 620)	(426 620)
Balance at December 31, 2002	*	*	(1 027 222)	(1 027 222)
Balance at January 1, 2003	*	*	(1 027 222)	(1 027 222)
Net loss for the year			(967 305)	(967 305)
Shares issued	*	525 525	—	525 525
Balance at December 31, 2003	*	525 525	(1 994 527)	(1 469 002)

* amounts less than R1 000.

Cell C (Proprietary) Limited

Cash flow statements
for the year ended December 31, 2003

	Note	Group		Company	
		2003	2002	2003	2002
		(R in thousands)			
Cash utilised in operations	*24.1*	(892 338)	(1 644 454)	(894 262)	(1 608 567)
Net interest paid	*4*	(292 183)	(165 402)	(294 393)	(166 665)
Tax paid	*24.2*	(1 183)	—	—	—
Net cash outflow from operating activities		(1 185 704)	(1 809 856)	(1 188 655)	(1 775 232)
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		755	—	20	—
Acquisition of property, plant and equipment—additions		(1 196 950)	(1 229 419)	(1 173 035)	(1 162 931)
Increase in investments in subsidiaries				—	(153 000)
Net cash outflow from investing activities		(1 196 195)	(1 229 419)	(1 173 015)	(1 315 931)
Cash flows from financing activities					
Share issue		525 525	—	525 525	—
Increase in interest bearing loans and borrowings	*24.3*	3 111 642	1 828 319	3 111 642	1 828 319
(Decrease)/increase in current portion of interest bearing loans and borrowings		(996 239)	1 046 190	(996 239)	1 046 190
Net cash inflow from financing activities		2 640 928	2 874 509	2 640 928	2 874 509
Net increase/(decrease) in cash and cash equivalents		259 029	(164 766)	279 258	(216 654)
Cash acquired on purchase of business	*24.4*	—	—	5 207	—
Cash and cash equivalents at beginning of year		16 116	180 882	(23 295)	193 359
Cash and cash equivalents at end year		275 145	16 116	261 170	(23 295)

Cell C (Proprietary) Limited

Notes to the financial statements
for the year ended December 31, 2003

1. Accounting policies

1.1 Basis of preparation

The financial statements comply with International Financial Reporting Standards (IFRS) of the International Accounting Standards Board, South African Statements of Generally Accepted Accounting Practice (SA GAAP), and the Companies Act in South Africa. The financial statements are prepared on the historical cost basis, with the exception of certain financial instruments which are measured at fair value, in conformity with IFRS and SA GAAP.

Details of the group's accounting policies are set out below, and are consistent with those applied in the previous year.

1.2 Basis of consolidation

Investment in subsidiaries

Subsidiaries are those entities over whose financial and operating policies the group has the power to exercise control, so as to obtain benefits from their activities.

The group financial statements incorporate the assets, liabilities and results of the operations of the company and its subsidiaries. The results of subsidiaries acquired and disposed of during a financial year are included from the effective dates of acquisition and to the effective dates of disposal. Where necessary, the accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the group.

Investments in subsidiaries are carried at cost.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains or losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

1.3 Property, plant and equipment

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. The cost of plant and equipment acquired under contracts which include an embedded derivative is calculated at the forward rates implicit in the embedded derivative. The cost of self-constructed assets includes the cost of materials and direct labour.

Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment.

Depreciation is provided on the straight line basis, at rates considered appropriate to fully amortise the assets over the estimated useful lives.

Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that future economic benefits from the use of the asset will be increased. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Surpluses/(deficits) on the disposal of property, plant and equipment are credited/(charged) to income. The surplus or deficit is the difference between the net disposal and the carrying amount of the asset.

The group expenses the costs associated with the repair and maintenance of its telecommunication network, unless these add to the value of the assets or prolong the useful lives.

1.4 Leases

Finance leases

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the group are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value

and the present value of the minimum lease payments at inception of the lease, and depreciated over the shorter of the estimated useful life of the asset. The capital element of future obligations under the leases is included as a liability in the balance sheet. Lease payments are allocated using the effective interest rate method to determine the lease finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor.

Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are charged against income on a straight line basis over the period of the lease.

1.5 Intangible assets

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, and expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation.

Other intangible assets acquired by the group are stated at cost less accumulated amortisation and impairment losses.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other subsequent expenditure is expensed as incurred.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets.

The difference between the net disposal proceeds and the carrying amount of an intangible asset is the gain or loss on disposal of that asset. These gains and losses are recognised in income.

Subscriber acquisition costs

Subscriber acquisition costs relating to post paid customers are capitalised and amortised over the period of the contract, not exceeding twenty four months.

Subscriber acquisition costs relating to prepaid customers are expensed as incurred.

1.6 Impairment

The carrying amounts of the group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its net selling price and its value in use. For intangible assets that are not yet available for use, or goodwill the recoverable amount is estimated at each balance sheet date.

In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

For an asset that does not generate cash inflows that are largely independent of those from other assets the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised in the income statement whenever the carrying amount of the cash-generating unit exceeds its recoverable amount.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years.

For goodwill a recognised impairment loss is not reversed, unless the impairment loss was caused by a specific external event of an exceptional nature that is not expected to recur and the increase relates clearly to the reversal of the effect of that specific event.

1.7 Inventories

Inventories are carried at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition, and is determined using the weighted average method. Obsolete, redundant and slow moving inventories are identified on a regular basis and are written down to their estimated net realisable values.

1.8 Financial instruments

Measurement

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

Trade and other receivables

Trade and other receivables originated by the group are stated at cost less provision for doubtful debts.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at balance sheet date.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisations. Transaction costs associated with financial liabilities are included on initial recognition where appropriate. These transaction costs are amortised over the period equivalent to the period of the financial liability.

Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Derivative instruments and hedging activities

All derivatives are recognised on the balance sheet at their fair value. On the date the derivative contract is entered into the group designates the derivatives as either a hedge of the fair value of a recognised asset or liability (fair value hedge) or a hedge of a forecasted transaction (cash flow hedge). Certain derivatives transactions while providing effective economic hedges under the groups risk management policies, do not qualify for hedge accounting and are accordingly not classified as a hedge for accounting purposes. Derivative instruments are not entered into for trading or speculative purposes.

Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a fair value hedge, are recorded in the income statement along with the change in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash flow hedge, are recognised directly in equity (hedging reserve). Amounts deferred in equity are included in the income statement in the same periods during which the hedged firm commitment or forecasted transaction affects profit or loss.

Changes in the fair value of derivatives that do not qualify for hedge accounting are recognised in the income statement. Management is satisfied that the amount provides an effective economic hedge against changes in the value of liabilities that has been recognised through the income statement.

The group formally assess, both at hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the fair value or cash flows of hedged items.

The fair value of a publicly traded derivative is based upon quoted market values at balance sheet date.

1.9 Revenue

The group provides mobile communication services and communication related products. The group provides such services to postpaid, prepaid and community service telephone (CST) markets. Revenue represents the value of fixed consideration that has been received or is receivable. Revenue for services is stated at amounts invoiced to customers and excludes Value Added Tax.

Revenue is recognised when there is evidence of an arrangement, collectability is reasonably assured, and the delivery of the product or service has occurred. In certain circumstances revenue is split into separately identifiable components and recognised when the related components are delivered in order to reflect the substance of the transaction. The value of components is determined using verifiable objective evidence. The group does not provide customers with the right to a refund.

Traffic and value-added services

Prepaid traffic service revenue collected in advance is deferred and recognised based on actual usage or upon expiration of the usage period or whichever comes first. The terms and conditions of certain prepaid products allow carry over of unused minutes. Revenue related to the carry over of unused minutes is deferred until usage or expiration. Payphone service revenue is recognised when the service is provided. Community phone revenue collected in advance is deferred and recognised based on actual usage or upon expiration of the usage period, whichever comes first.

Interconnection revenue for call termination is recognised in the period the traffic occurs. Revenue related to on network, network to network, roaming and international call connection services is recognised when the call is placed or the connection provided. Revenue related to products and value-added-services is recognised upon delivery and acceptance of the product or service.

Contract revenue

These contracts may include a subsidised handset, 24-month service, activation, SIM-card and other ancillary services. Revenue is recognised as follows:

- the loss on the subsidised handset, which includes costs of the handset and SIM-card is capitalised in intangibles and amortised over the contract period, not exceeding twenty four months;
- activation fee revenue received from customers is recognised upon activation by the customer;
- monthly access revenue received from the customer is recognised in the period in which the service is delivered;

- airtime revenue is recognised on the usage basis;
- any other costs incurred as a result of a new customer are capitalised in intangibles and amortised over the contract period, not exceeding twenty four months.

Prepaid revenue

Airtime

Upon purchase of an airtime voucher the customer receives the right to make outgoing calls and receive incoming calls. Revenue is recognised as the customer utilises the voucher.

Remaining elements of prepaid packages

When a prepaid package is sold, all the costs, which include the cost of the SIM-card, together with the commission, are treated as a customer acquisition cost. The cost of acquisition for prepaid customers is expensed in the period in which it occurs.

Equipment sales

Revenue from the sales of communication equipment is recognised upon delivery and acceptance by the customer.

1.10 Commission and incentives

The group pays incentives to service providers and dealers for new activations, retention of existing customers and reaching specific sales targets. Prepaid incentives are expensed as incurred. Postpaid incentives are capitalised where appropriate and amortised as subscriber acquisition costs.

1.11 Investment income

Interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is probable that such income will accrue to the group.

1.12 Finance costs

Interest paid on liabilities is expensed in the income statement as incurred. The cost of raising finance is capitalised and recognised over the term of the finance agreement.

1.13 Tax

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted at the balanced sheet date, and any adjustment of tax payable for previous years.

Deferred tax is provided using the balance sheet liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax is charged to the income statement except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination that is an acquisition. The effect on deferred tax of any changes in tax rates is recognised in the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1.14 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are recorded at the rate of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Gains and losses arising on translation are credited to or charged against income.

1.15 Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation. Where the effect of discounting is material, provisions are discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Unearned revenue

A provision for unearned revenue is recognised when the group has sold prepaid airtime but has not yet delivered the service to the end user. The provision represents the value of the unused airtime and offsets against revenue.

Warranties

The group provides for warranties on items sold to the extent that the warranty given to the customer will exceed the manufacturers' warranty.

1.16 Employee benefits

Short term employee benefits

The cost of all short term employee benefits is recognised during the period in which the employee renders the related service.

The provisions for employee entitlements to wages, salaries, annual and sick leave represent the amount which the group has a present obligation to pay as a result of employees' services provided to the balance sheet date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates.

Retirement benefits

The company and its subsidiaries contribute to a defined contribution plan. Contributions to defined contribution funds are charged against income as incurred.

1.17 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, and investments in money market instruments, net of bank overdrafts, all of which are available for use by the group unless otherwise stated.

Cell C (Proprietary) Limited

Notes to the financial statements—(Continued)
for the year ended December 31, 2003

	Group		Company	
	2003	2002	2003	2002
	(R in thousands)			
2. Revenue				
Airtime and access	986 949	172 202	937 194	256 548
Data revenue	41 063	8 979	33 519	7 369
International revenue	7 421	530	7 421	530
Equipment sales	656 400	744 738	715 561	602 017
Interconnect revenue	769 379	315 916	769 379	315 916
	2 461 212	1 242 365	2 463 074	1 182 380
3. Operating loss				
3.1 Payments to other operators	1 052 707	487 308	1 052 707	487 308
– Interconnect	424 475	128 234	424 475	128 234
– Roaming	567 557	344 887	567 557	344 887
– Transmission links	60 675	14 187	60 675	14 187
3.2 Selling, general and admin expenses	693 487	652 104	530 796	505 975
– marketing costs	312 653	357 328	313 698	335 191
– selling, general and admin expenses	380 834	294 776	217 098	170 784
3.3 External services rendered	115 478	215 962	113 439	212 510
– consultancy services rendered	108 313	212 728	108 028	210 703
– auditors remuneration				
– audit fee	2 225	2 031	1 158	1 301
– expenses	2 927	21	2 915	21
– legal fees	2 013	1 182	1 338	485
3.4 Operating lease costs	102 756	50 233	87 620	39 291
– property	99 906	44 084	84 770	33 382
– office equipment	2 850	6 149	2 850	5 909
3.5 Depreciation and amortisation	472 297	217 043	455 886	204 801
Depreciation of property, plant and equipment	458 689	203 435	442 278	191 192
– GSM network	239 667	96 875	239 667	96 875
– computer equipment	54 835	22 933	51 682	21 210
– CST equipment	1 014	—	1 014	—
– furniture and fittings	3 410	2 003	1 969	946
– leasehold improvements	22 584	11 115	11 720	1 979
– office equipment	2 088	1 104	1 166	778
– software	131 728	68 627	131 697	68 626
– motor vehicles—commercial	1 150	303	1 150	303
– motor vehicles—passenger	2 213	475	2 213	475
Amortisation	13 608	13 608	13 608	13 609
– goodwill	907	907	907	907
– license agreement	12 701	12 701	12 701	12 702

	Group		Company	
	2003	2002	2003	2002
	(R in thousands)			

4. Finance gains

	Group 2003	Group 2002	Company 2003	Company 2002
Interest paid	(293 942)	(152 126)	(293 868)	(151 695)
Financing costs	(32 560)	(32 803)	(32 560)	(32 803)
Foreign exchange gains	1 111 056	995 849	1 110 932	995 849
– realised	71 020	275 525	70 896	275 525
– unrealised	1 040 036	720 324	1 040 036	720 324
Foreign exchange losses	(430 283)	(127 825)	(430 283)	(127 825)
– realised	(51 144)	(127 825)	(51 144)	(127 825)
– unrealised	(379 139)	—	(379 139)	—
	354 271	683 095	354 221	683 526

5. Income tax

	Group 2003	Group 2002	Company 2003	Company 2002
South African normal tax				
– current	—	(1 183)	—	—
– deferred	296 644	546 610	245 558	516 168
Total tax	296 644	545 427	245 558	516 168
Estimated tax losses available for utilisation against future taxable income	4 099 743	2 219 442	3 900 287	2 136 968
Applied to create deferred tax asset	(4 099 743)	(2 219 442)	(3 900 287)	(2 136 968)
	—	—	—	—

Reconciliation of tax rate

	Group 2003	Group 2002	Company 2003	Company 2002
Current year's charge	296 644	545 427	245 558	516 168
Disallowed expenditure	(25 521)	16 909	26 589	27 825
Non-taxable income	—	(270 722)	—	(261 157)
Prior year adjustment	91 248	—	91 712	—
Standard tax	362 371	291 614	363 859	282 836
	%	%	%	%
Current year's charge as a percentage of income before taxation	24,6	56,1	20,2	54,7
Disallowed expenditure	(2,2)	1,7	2,2	3,1
Non-taxable income	—	(27,8)	—	(27,8)
Prior year adjustment	7,6	—	7,6	—
Standard tax rate	30,0	30,0	30,0	30,0

6. Property, plant and equipment

6.1 Group

	Depreciation rate	Cost or valuation	Accumulated depreciation	Carrying amount
	%		(R in thousands)	
2003				
Owned				
Assets at cost modified due to impact of embedded derivative				
GSM network	14	1 760 263	339 639	1 420 624
Assets at cost				
Computer equipment	33	190 195	79 000	111 195
Software	33	470 766	204 106	266 660
Leasehold improvements	20	160 141	34 093	126 048
Office equipment	20	12 721	3 233	9 488
Furniture and fittings	10	41 195	5 437	35 758
CST equipment	20	24 981	1 014	23 967
Capital work in progress		217 088	—	217 088
Leased				
Motor vehicles—passenger	20	7 903	1 610	6 293
Motor vehicles—commercial	25	17 854	2 532	15 322
		2 903 107	670 664	2 232 443
2002				
Owned				
Assets at cost				
GSM network	14	973 466	100 412	873 054
Computer equipment	33	137 189	24 176	113 013
Software	33	291 363	72 377	218 986
Leasehold improvements	20	93 955	11 513	82 442
Office equipment	20	11 896	1 121	10 775
Furniture and fittings	10	26 549	2 100	24 449
Capital work in progress		158 712	—	158 712
Leased				
Motor vehicles—passenger	20	6 513	475	6 038
Motor vehicles—commercial	25	7 764	303	7 461
		1 707 407	212 477	1 494 930

Leased assets are encumbered as detained in note 15.

Reconciliation of carrying amounts

	GSM network	CST equip-ment	Computer equipment	Software	Leasehold improve-ments	Office equip-ment	Furniture and fittings	Capital work in progress	Motor vehicles passenger	Motor vehicles comm.-ercial	Total
	(R in thousands)										
2003											
Carrying amount at beginning of year	873 054	—	113 013	218 986	82 442	10 775	24 449	158 712	6 038	7 461	1 494 930
Additions	787 237	24 981	53 153	179 402	66 217	809	15 296	58 376	2 468	9 011	1 196 950
Depreciation	(239 667)	(1 014)	(54 835)	(131 728)	(22 584)	(2 088)	(3 410)	—	(2 213)	(1 150)	(458 689)
Disposals	—	—	(136)	—	(27)	(8)	(577)	—	—	—	(748)
Carrying amount at end of year	1 420 624	23 967	111 195	266 660	126 048	9 488	35 758	217 088	6 293	15 322	2 232 443
2002											
Carrying amount at beginning of year	193 064	—	47 656	131 266	25 444	1 151	15 432	54 933	—	—	468 946
Additions	776 865	—	88 290	156 347	68 113	10 728	11 020	103 779	6 513	7 764	1 229 419
Depreciation	(96 875)	—	(22 933)	(68 627)	(11 115)	(1 104)	(2 003)	—	(475)	(303)	(203 435)
Carrying amount at end of year	873 054	—	113 013	218 986	82 442	10 775	24 449	158 712	6 038	7 461	1 494 930

	Depreciation rate	Cost or valuation	Accumulated depreciation	Carrying amount
	%		(R in thousands)	
6.2 Company				
2003				
Owned				
Assets at cost modified due to impact of embedded derivative				
GSM network	14	1 765 836	343 354	1 422 482
Assets at cost				
Computer equipment	33	181 172	74 458	106 714
Software	33	468 905	204 102	264 803
Leasehold improvements	20	159 919	34 047	125 872
Office equipment	20	8 214	2 077	6 137
Furniture and fittings	10	30 145	3 714	26 431
CST equipment	20	24 981	1 014	23 967
Capital work in progress		217 088	—	217 088
Leased				
Motor vehicles—passenger	20	7 903	1 610	6 293
Motor vehicles—commercial	25	17 854	2 532	15 322
		2 882 017	666 908	2 215 109
2002				
Owned				
Assets at cost				
GSM network	14	973 466	100 412	873 054
Computer equipment	33	130 742	22 314	108 428
Software	33	291 355	72 376	218 979
Leasehold improvements	20	18 223	2 012	16 211
Office equipment	20	7 297	793	6 504
Furniture and fittings	10	12 953	1 009	11 944
Capital work in progress		158 712	—	158 712
Leased				
Motor vehicles—passenger	20	6 513	475	6 038
Motor vehicles—commercial	25	7 764	303	7 461
		1 607 025	199 694	1 407 331

Leased assets are encumbered as detained in note 15.

Reconciliation of carrying amounts

	GSM network	CST equip-ment	Computer equipment	Software	Leasehold improve-ments	Office equip-ment	Furniture and fittings	Capital work in progress	Motor vehicles passenger	Motor vehicles comercial	Total
	(R in thousands)										
2003											
Carrying amount at beginning of year	873 054	—	108 428	218 979	16 211	6 504	11 944	158 712	6 038	7 461	1 407 331
Additions	789 095	24 981	49 981	177 521	121 381	799	16 456	58 376	2 468	9 011	1 250 069
Disposals	—	—	(13)	—	—	—	—	—	—	—	(13)
Depreciation	(239 667)	(1 014)	(51 682)	(131 697)	(11 720)	(1 166)	(1 969)	—	(2 213)	(1 150)	(442 278)
Carrying amount at end of year	1 422 482	23 967	106 714	264 803	125 872	6 137	26 431	217 088	6 293	15 322	2 215 109
2002											
Carrying amount at beginning of year	193 064	—	40 235	131 266	14 292	840	7 376	48 519	—	—	435 592
Additions	776 865	—	89 403	156 339	3 898	6 442	5 514	110 193	6 513	7 764	1 162 931
Depreciation	(96 875)	—	(21 210)	(68 626)	(1 979)	(778)	(946)	—	(475)	(303)	(191 192)
Carrying amount at end of year	873 054	—	108 428	218 979	16 211	6 504	11 944	158 712	6 038	7 461	1 407 331

7. Intangible assets

	Amortisation period	Cost or valuation	Accumulated amortisation	Carrying amount
	(years)		(R in thousands)	
Group				
2003				
Purchased intangible assets				
– fixed telecommunications licence	15	100 000	(16 667)	83 333
– licence acquisition costs	15	90 526	(15 087)	75 439
– subscriber acquisition costs	2	673 213	(289 955)	383 258
		863 739	(321 709)	542 030
2002				
Purchased intangible assets				
– fixed telecommunications licence	15	100 000	(10 000)	90 000
– licence acquisition costs	15	90 526	(9 053)	81 473
– subscriber acquisition costs	2	236 615	(47 624)	188 991
		427 141	(66 677)	360 464

Reconciliation of carrying amounts

	Fixed telecommunications licence	Licence acquisition costs	Subscriber acquisition costs	Total
		(R in thousands)		
Group				
2003				
Carrying amount at beginning of year	90 000	81 473	188 991	360 464
Additions	—	—	436 598	436 598
Amortisation	(6 667)	(6 034)	(242 331)	(255 032)
Carrying amount at end of year	83 333	75 439	383 258	542 030
2002				
Carrying amount at beginning of year	96 667	87 508	—	184 175
Additions	—	—	236 615	236 615
Amortisation	(6 667)	(6 035)	(47 624)	(60 326)
Carrying amount at end of year	90 000	81 473	188 991	360 464

	Amortisation period (years)	Cost or valuation	Accumulated amortisation (R in thousands)	Carrying amount
Company				
2003				
Purchased intangible assets				
– fixed telecommunications licence	15	100 000	(16 667)	83 333
– licence acquisition costs	15	90 526	(15 087)	75 439
– subscriber acquisition costs	2	649 763	(276 255)	373 508
		840 289	(308 009)	532 280
2002				
Purchased intangible assets				
– fixed telecommunications licence	15	100 000	(10 000)	90 000
– licence acquisition costs	15	90 526	(9 053)	81 473
– subscriber acquisition costs	2	218 893	(46 044)	172 849
		409 419	(65 097)	344 322

Reconciliation of carrying amounts

	Fixed telecommunications licence	Licence acquisition costs (R in thousands)	Subscriber acquisition costs	Total
Company				
2003				
Carrying amount at beginning of year	90 000	81 473	172 849	344 322
Additions	—	—	430 870	430 870
Amortisation	(6 667)	(6 034)	(230 211)	(242 912)
Carrying amount at end of year	83 333	75 439	373 508	532 280
2002				
Carrying amount at beginning of year	96 667	87 508	—	184 175
Additions	—	—	218 893	218 893
Amortisation	(6 667)	(6 035)	(46 044)	(58 746)
Carrying amount at end of year	90 000	81 473	172 849	344 322

8. Goodwill

The estimated useful life of goodwill is 3 years.

Reconciliation of the carrying amount of goodwill

	Group		Company	
	2003	2002	2003	2002
	(R in thousands)			
Carrying amount at beginning of year	1 436	2 343	1 436	2 343
– cost	2 721	2 721	2 721	2 721
– accumulated amortisation	(1 285)	(378)	(1 285)	(378)
Arising on acquisition of distribution channel				
Amortisation charge	(907)	(907)	(907)	(907)
Carrying amount at end of year	529	1 436	529	1 436
– cost	2 721	2 721	2 721	2 721
– accumulated amortisation	(2 192)	(1 285)	(2 192)	(1 285)

9. Interest in subsidiaries

Directly held

	Issued share capital	Percentage holding		Shares at cost		Due by subsidiaries	
		2003	2002	2003	2002	2003	2002
		%	%	(R in thousands)			
Cell C Service Provider Company (Proprietary) Limited	101	100	100	150 000	150 000	283 557	140 190
Cell C Property Company (Proprietary) Limited	101	100	100	3 000	3 000	10 502	99 145
				153 000	153 000	294 059	239 335

The company’s voting power is in direct proportion to its percentage holdings.

	2003	2002
	(R in thousands)	
Shares at cost less amounts written off	153 000	153 000
Net loans due by subsidiaries	294 059	239 335
Amounts due by subsidiaries	1 592 299	820 577
Amounts due to subsidiaries	(1 298 240)	(581 242)
Less provision for losses	(217 978)	(67 426)
Net investment in subsidiaries	229 081	324 909

Loans to subsidiaries are made on market related terms at interest rates related to prime rates. There are no fixed terms of repayment.

	Group		Company	
	2003	2002	2003	2002
	(R in thousands)			
10. Deferred tax				
Balance at beginning of year	676 099	129 489	642 875	126 707
Current year movement	296 644	546 610	245 558	516 168
– tax loss	564 090	548 777	529 054	524 203
– temporary differences	(267 446)	(2 167)	(283 496)	(8 035)
Purchase of net assets of Property Company	—	—	75	—
Balance at end of year	972 743	676 099	888 508	642 875
Comprising –				
– fixed assets	(74 424)	(6 538)	(74 099)	(7 358)
– tax losses	1 229 923	668 532	1 170 144	643 791
– prepayments	(4 075)	(22 912)	(3 666)	(19 791)
– provisions	52 653	37 017	27 463	26 233
– forex	(231 334)	—	(231 334)	—
	972 743	676 099	888 508	642 875
The deferred tax asset represents the tax benefit to be utilised to off-set future tax liabilities.				
11. Inventories				
Merchandise	228 061	512 091	141 410	465 663
Provision for obsolescence	(26 442)	(7 882)	(26 442)	(7 882)
	201 619	504 209	114 968	457 781

	Group		Company	
	2003	2002	2003	2002
	(R in thousands)			

12. Accounts receivable

Included in accounts receivable are the following –

	Group 2003	Group 2002	Company 2003	Company 2002
Trade receivables	529 228	328 954	322 125	148 027
Prepayments and other sundry debtors	43 550	84 288	26 034	70 149
Advances paid to suppliers	61 279	119 697	61 279	119 697
Provision for doubtful debts and credit notes	(15 407)	(13 054)	—	—
	618 650	519 885	409 438	337 873

13. Cash and cash equivalents

	Group 2003	Group 2002	Company 2003	Company 2002
Cash at bank and on hand	48 837	39 411	34 862	—
Deposit	58 886	14 785	58 886	14 785
DSRA	167 422	—	167 422	—
	275 145	54 196	261 170	14 785

Both the hedge deposit and the DSRA have been pledged as security for financial instruments.

14. Ordinary share capital

	Group 2003	Group 2002	Company 2003	Company 2002
Authorised				
1 000 (2002—1 000) ordinary shares of R1 each	1	1	1	1
Issued				
200 (2002—100) ordinary shares of R1 each	*	*	*	*
Share premium	525 525	—	525 525	—
	525 525	*	525 525	*

The unissued shares of the company are under the control of directors.

* amounts less than R1 000.

	Group		Company	
	2003	2002	2003	2002
	(R in thousands)			
15. Interest bearing loans and borrowings				
Unsecured loans				
3C Telecommunications (Pty) Ltd*	872 057	1 425 195	872 057	1 425 195
Loan of $130 543 549 (2002 : $166 161 449) bearing interest at LIBOR plus 2% (2002—LIBOR plus 2%) with no fixed terms of repayment.				
Saudi Oger Limited*	1 979 412	997 425	1 979 412	997 425
Junior Facility	1 232 185	997 425	1 232 185	997 425
Loan of $184 453 381 (2002—$116 288 285) bearing interest at LIBOR plus 1,75% (2002—LIBOR plus 1,75%), the loan is repayable on 31 December 2012.				
Shareholder loan 2*	307 127	—	307 127	—
Loan of $45 975 784 bearing interest at LIBOR plus 2% (2002—Nil), with no fixed terms of repayment.				
SOLF	438 871	—	438 871	—
Loan bearing interest at JIBAR plus 2.5% (2002—Nil), the loan is repayable in 2008.				
Current Account	1 229	—	1 229	—
Loan of $183 920 bearing interest at LIBOR plus 2% (2002—Nil), with no fixed terms of repayment.				
Loan from CellSAf (Pty) Ltd*	696 925	—	696 925	—
Loan bearing interest at LIBOR plus 2% (2002—nil) with no fixed terms of repayment.				
The above loans marked with an * have been subordinated in favour of other creditors until such time as the assets of the group and company, exceed the liabilities.				
Carried forward	3 548 394	2 422 620	3 548 394	2 422 620

	Group		Company	
	2003	2002	2003	2002
	(R in thousands)			
Brought forward	3 548 394	2 422 620	3 548 394	2 422 620
Secured loans				
SACE Facility	259 028	—	259 028	—
Loan of $38 775 434 bearing interest at LIBOR plus 2% (2002—nil).				
Hermes Facility	285 964	—	285 964	—
Loan of $42 807 716 bearing interest at LIBOR plus 2% (2002—nil).				
The SACE and Hermes loans have a combined drawdown facility of $165 million. 60% of the facility has been hedged via a cross currency basis swap at an exchange rate of R8,4454 : $1. The cross currency swap matures on the 31 December 2011.				
Revolving Credit Facility				
ZAR	128 076	—	128 076	—
The rand loan bears interest at JIBAR plus 2% (2002—nil).				
USD	127 087	—	127 087	—
Loan of $19 024 390 bearing interest at LIBOR plus 2% (2002—nil).				
Carried forward	4 348 549	2 422 620	4 348 549	2 422 620

	Group		Company	
	2003	2002	2003	2002
	(R in thousands)			
Brought forward	4 348 549	2 422 620	4 348 549	2 422 620
Development Bank of South Africa	300 000	—	300 000	—
Rand loan bearing interest at JIBAR plus 4,75% (2002—nil).				
Industrial Development Corporation	300 000	—	300 000	—
Rand loan bearing interest at JIBAR plus 4,75% (2002—nil).				
The above secured loans are secured by the shares and assets of the group and are governed by a Common Terms Agreement. Interest is accrued monthly and settled quarterly. The principle loans are repayable from December 2006 to December 2011.				
The above loans with the exception of Development Bank of South Africa and Industrial Development Corporation are funded by a consortium of banks.				
Carried forward	4 948 549	2 422 620	4 948 549	2 422 620

	Group		Company	
	2003	2002	2003	2002
	(R in thousands)			
Brought forward	4 948 549	2 422 620	4 948 549	2 422 620
ICASA	138 107	118 667	138 107	118 667
Loan in respect of the Fixed Telecommunications Licence, bearing interest at prime rate and repayable over the period of the licence (15 years). Repayments commence in 2004. The loan is secured by the telecommunications licence.				
Deutsche Bank	—	1 024 789	—	1 024 789
– rand loan	—	561 655	—	561 655
– foreign loan	—	463 134	—	463 134
The Deutsche loans were secured by the shares and major assets of the group and bear interest at rates ranging between 16,8 and 17,2% and 4,1 and 4,6% on the rand and foreign portions respectively.				
The loans were fully repaid on 10 April 2003.				
Capitalised Finance Costs	(169 883)	—	(169 883)	—
The costs of raising finance have been capitalised and amortised over the loan period. Amortisation is reflected as interest expense in the income statement.				
Carried forward	4 916 773	3 566 076	4 916 773	3 566 076

	Group		Company	
	2003	2002	2003	2002
	(R in thousands)			
Brought forward	4 916 773	3 566 076	4 916 773	3 566 076
Finance leases	21 922	12 940	21 922	12 940
Finance lease obligations capitalised at an effective rate of prime minus 2%. The leases are repayable over a period of twenty two to forty eight months. These liabilities are secured by lease agreements over assets with a net book value of R21,6 million (2002—R13,5 million) (see note 6). Monthly repayments are R560 090 (2002—R327 000).				
Less: current portion included in accounts payable	(49 951)	(1 046 190)	(49 951)	(1 046 190)
Finance leases	(3 511)	(2 734)	(3 511)	(27 434)
ICASA	(46 440)	(18 667)	(46 440)	(18 667)
Deutsche Bank	—	(1 024 789)	—	(1 024 789)
Long term liabilities	4 888 744	2 532 826	4 888 744	2 532 826
Reconciliation of finance leases				
Total minimum lease payments	15 485	11 236	15 485	11 236
Less: finance charges	(4 517)	(5 239)	(4 517)	(5 239)
Present value of finance lease obligation	10 968	5 997	10 968	5 997

	Total minimum lease payments		Present value at balance sheet date	
	2003	2002	2003	2002
	(R in thousands)			
Not later than 1 year	5 501	2 734	3 511	1 272
Between 1 and 5 years	9 984	8 502	7 457	4 725
Later than 5 years	—	—	—	—
	15 485	11 236	10 968	5 997

16. Provisions

	Balance brought forward	Net movement on provision	Closing balance
	(R in thousands)		
Group			
2003			
Unearned revenue	30 267	47 381	77 648
2002			
Unearned revenue	42 048	(11 781)	30 267
Company			
2003			
Unearned revenue	91 498	25 604	117 102
Provision for losses in subsidiaries	67 426	150 552	217 978
	158 924	176 156	335 080
2002			
Unearned revenue	42 048	49 450	91 498
Provision for losses in subsidiaries	24 371	43 055	67 426
	66 419	92 505	158 924

	Group		Company	
	2003	2002	2003	2002
	(R in thousands)			
17. Accounts payable				
Trade payables	579 503	532 166	536 712	500 297
Accruals and other sundry payables	512 598	372 275	379 904	264 627
Contract retentions	52 845	85 454	52 845	85 016
	1 144 946	989 895	969 461	849 940
18. Bank Overdraft	—	38 080	—	38 080
19. Derivative revaluation				
Hedge mark to market	191 818	—	191 818	—
FEC mark to market	(465)	—	(465)	—
Embedded derivative mark to market	(96 526)	—	(96 526)	—
	94 827	—	94 827	—

	Group		Company	
	2003	2002	2003	2002
	(R in thousands)			
20. Capital and lease commitments				
Authorised				
– contracted for	1 032 267	1 083 457	1 032 267	1 083 457
The proposed capital expenditure will be financed by additional long-term external finance to be raised in the market.				
Future operating lease charges for premises, office equipment and GSM network capacity.				
– payable within one year	117 655	53 970	117 655	—
– payable between 1 and 5 years	602 148	276 528	602 148	—
– payable after 5 years	564 589	285 291	564 589	—
	1 284 392	615 789	1 284 392	—
21. Employee benefits				
The group provides retirement benefits for all its permanent employees through a funded defined contribution pension scheme that is subject to the Pension Funds Act, 1956 as amended.				
Contributions	18 486	10 908	13 125	7 764
Number of employees	1 208	810	788	498

22. Financial instruments

Exposure to currency, interest rate and credit risk arises in the normal course of the group's business. Unless otherwise stated, the carrying amount of financial instruments approximates the fair value.

22.1 Financial risk management

The group is exposed to currency risk, interest rate risk and credit risk. Interest risk and currency risk are managed by a treasury committee in accordance with the groups hedging policy. This hedging policy focuses on the unpredictability of financial markets and seeks to minimise adverse effects on financial performance and reduce the volatility of earnings. Management has implemented a credit policy and the groups exposure to credit risk is monitored on an on going basis by operating divisions and the finance department.

22.2 Currency risk

The group incurs currency risk as a result of purchases and borrowings in foreign currencies. The currencies in which the group primarily deals are Euros and US Dollars. To the extent possible, receipts in foreign currency are used to settle foreign liabilities. Forward exchange contracts are entered into on a case-by-case basis to offset the foreign currency risk of order denominated in a foreign currency. Hedging of foreign borrowings is assessed on an ongoing basis and hedges are implemented in accordance with currency views and the groups hedging policy. Certain foreign borrowings required hedging of the foreign exchange risks as a special condition of such loans and in these cases hedges are implemented prior to drawdown dates.

22.3 Foreign assets and liabilities

The group and company had the following uncovered exposures to assets and liabilities denominated in foreign currencies.

	2003			2002		
	Foreign amount	Rate		Foreign amount	Rate	
	(in thousands)		(R in thousands)	(in thousands)		(R in thousands)
Group						
Assets						
US Dollar	25 570	6.68	170 812	3	8.5	29
Euro	—	8.42	—	446	8.9	4 011
Pound Sterling	—	11.93	—	34	13.8	467
Liabilities						
US Dollar	344 206	6.68	2 299 365	344 313	8.5	2 926 661
Euro	—	8.42	—	2 644	8.9	23 532

	2003			2002		
	Foreign amount	Rate		Foreign amount	Rate	
	(in thousands)		(R in thousands)	(in thousands)		(R in thousands)
Company						
Assets						
US Dollar	25 570	6.68	170 812	3	8.5	29
Euro	—	8.42	—	446	8.9	4 011
Pound Sterling	—	11.93	—	34	13.8	467
Liabilities						
US Dollar	344 206	6.68	2 299 365	344 313	8.5	2 926 661
Euro	—	8.42	—	2 644	8.9	23 532

Hedging

The group and company have the following forward exchange contracts to hedge forecast transactions denominated in Euros.

	Principal amount Euros	Principal amount	Transaction dates	Hedging instrument
		(R in thousands)		
Group				
Purchase of inventories	12 234	102 596	January 2004 to March 2004	Forward exchange contracts
Company				
Purchase of inventories	12 234	102 596	January 2004 to March 2004	Forward exchange contracts

22.4 Interest rate risk

The group has generally adopted a policy of ensuring that its exposure to changes in interest rates is on a floating rate basis. In the future the group will evaluate its exposure to fixed and floating rate debt and enter into hedges with a view to reducing volatility in interest rate payments.

22.5 Credit risk

Credit evaluations are performed on all customers requiring credit over a certain amount. Reputable financial institutions are used for investing and cash handling purposes.

At balance sheet date there were no significant concentrations of credit risk.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

23. Related parties

23.1 Identity of related parties

The holding company of Cell C (Proprietary) Limited is 3C Telecommunications (Proprietary) Limited which holds 100% (2002—100%) of the company's ordinary shares.

The subsidiaries of the group are identified in note 9. The directors are listed in the directors' report of the holding company.

CellSAf (Proprietary) Limited holds 40% of the shares of 3C Telecommunications. The group traded with the following related parties during the year:

- Kunene Bros. (Proprietary) Limited
- Oger Telecom (South Africa) (Pty) Ltd
- Desert Charm t/a Activate
- Customised Business Solutions
- Click and Call
- Schlumberger Sema

23.2 Material related party transactions

Material transactions with the company

Loans to and from related parties	– see note 15 and 16

Material transactions with the group

Loans to and from related parties	– see note 15 and 16
Interest received on loans to related parties	– see note 15 and 16

Material transactions with related party companies

	2003		2002	
	Transactions	Balance owing	Transactions	Balance owing
	(R in thousands)			
Kunene Bros (Pty) Ltd	20	—	130	11
Oger Telecom (South Africa) (Pty) Ltd	6 830	—	49 373	990 827
Desert Charm t/a Activate	5 657	—	—	—
Customised Business Solutions	1 364	—	—	—
Click and Call	3 924	—	—	—
Schlumberger Sema	6 356	2 662	—	—

All transactions with related party companies are trade related and are conducted at arms length. The related parties are either shareholders or parties related to CellSAf (Proprietary) Limited.

	Group		Company	
	2003	2002	2003	2002
	(R in thousands)			

24. Notes to the cash flow statement

24.1 Cash utilised in operations

	Group 2003	Group 2002	Company 2003	Company 2002
Operating loss	(1 596 493)	(1 674 669)	(1 599 119)	(1 644 147)
Adjustments for –				
Profit on disposal of property, plant and equipment	(7)	—	(7)	—
Depreciation and amortisation	472 297	217 043	455 886	204 801
Subscriber acquisition costs incurred	(436 598)	(236 615)	(430 870)	(218 893)
Realised foreign exchange gains	71 020	275 525	70 896	275 525
Realised foreign exchange losses	(51 144)	(127 825)	(51 144)	(127 825)
Amortisation of subscriber acquisition costs	242 331	47 625	230 211	46 044
Operating loss before working capital changes	(1 298 594)	(1 498 916)	(1 324 147)	(1 464 495)
Decrease/(increase) in inventories	302 590	(211 263)	342 813	(255 859)
(Increase)/decrease in accounts receivable	(98 765)	(107 653)	72 437	(56 043)
Increase in accounts payable	155 050	185 159	13 603	90 524
Increase/(decrease) in provisions	47 381	(11 781)	176 156	92 505
Increase in amounts due by subsidiaries			(915 555)	(536 400)
Increase in amounts due to subsidiaries			740 431	521 201
	(892 338)	(1 644 454)	(894 262)	(1 608 567)

24.2 Tax Paid

	Group 2003	Group 2002	Company 2003	Company 2002
Amount due at beginning of year	(1 183)	—	—	—
Current years tax charge	—	—	—	—
Amount due at end of year	(1 183)	—	—	—

24.3 Increase in interest bearing loans and borrowings

	Group 2003	Group 2002	Company 2003	Company 2002
Increase in interest bearing loans and borrowings	2 355 918	1 107 995	2 355 918	1 107 995
Adjusted for –				
Derivative revaluation	94 827	—	94 827	—
Unrealised foreign exchange gains	1 040 036	720 324	1 040 036	720 324
Unrealised foreign exchange losses	(379 139)	—	(379 139)	—
Amount due at end of year	3 111 642	1 828 319	3 111 642	1 828 319

24.4 Purchase of business

	Group 2003	Group 2002	Company 2003	Company 2002
Property, plant and equipment	—	—	77 034	—
Accounts receivable	—	—	144 002	—
Deferred tax	—	—	75	—
Accounts payable	—	—	(105 918)	—
Net assets acquired	—	—	115 193	—
Purchase consideration	—	—	(120 400)	—
Net cash acquired	—	—	(5 207)	—

The company purchased the business of Cell C Property Company (Pty) Ltd effective 30 September 2003.

25. Going concern

The company incurred a net loss for the year ended 31 December 2003 of R967 million (2002—R427 million) and as of that date its total liabilities exceeded its total assets by R1 469 million (2002—R1 027 million). The group incurred a net loss for the year ended 31 December 2003 of R911 million (2002—R427 million) and as of that date the group's total liabilities exceeded its total assets by R1 413 million (2002—R1 027 million). As indicated in note 15, 3C Telecommunications (Proprietary) Limited, Saudi Oger Limited and CellSAf (Proprietary) Limited have subordinated their right to claim or accept repayment of certain of their loans to the company in favour of the other creditors until the assets of the group and company, fairly valued exceed its liabilities. Accordingly, the financial statements are prepared on the basis of accounting policies applicable to a going concern.

Cell C (Proprietary) Limited

Income statement
for the quarter ended 31 March 2005

	Note	Group 31 March 2005 R000	Group 31 March 2004 R000
Revenue	*2*	1 196 931	879 099
Other income		473	149
Operating expenses			
Cost of hardware sales	*3.1*	(210 975)	(181 284)
Payments to other operators		(322 395)	(311 403)
Commissions, incentives and cost of sales		(294 468)	(181 692)
Selling, general and administrative expenses	*3.2*	(132 315)	(165 196)
External services rendered	*3.3*	(12 012)	(17 418)
Employee expenses		(120 491)	(97 946)
Operating lease costs	*3.4*	(39 535)	(32 116)
Depreciation and amortisation	*3.5*	(165 982)	(143 503)
Operating loss	*3*	(100 769)	(251 310)
Investment income		1 279	2 602
Loss before financing and taxation		(99 490)	(248 708)
Finance (charges)/gains	*4*	(383 566)	51 138
Profit/(loss) before tax		(483 056)	(197 570)
Income tax	*5*	—	—
Loss for the quarter		(483 056)	(197 570)

Cell C (Proprietary) Limited

Balance sheet
at 31 March 2005

	Note	Group 31 March 2005 R000	31 March 2004 R000
Assets			
Non-current assets			
Property, plant and equipment	*6*	2 528 634	2 543 557
Intangible assets	*7*	676 304	651 366
Deferred taxation	*8*	896 089	896 089
Current assets		1 460 691	1 560 897
Inventories	*9*	225 108	250 338
Accounts receivable	*10*	892 640	882 144
Cash and cash equivalents	*11*	203 675	256 185
Derivative revaluations	*16*	139 268	172 230
Total assets		5 561 718	5 651 909
Equity and liabilities			
Capital and reserves			
Ordinary share capital	*12*	525 525	525 525
Accumulated loss		(3 102 252)	(2 619 197)
		(2 576 727)	(2 093 672)
Non-current liabilities			
Interest bearing loans and borrowings	*13*	6 708 610	6 191 132
Current liabilities		1 429 835	1 554 449
Provisions	*14*	67 280	65 116
Accounts payable	*15*	1 038 203	1 119 642
Current portion of interest bearing loans and borrowings	*13*	79 363	75 238
Derivative revaluations	*16*	244 989	294 453
Total equity and liabilities		5 561 718	5 651 909

Cell C (Proprietary) Limited

Statements of changes in equity
for the quarter ended 31 March 2005

	Ordinary share capital R000	Share Premium R000	Retained earnings R000	Total R000
Group	*	525 525	(1 938 482)	(1 412 957)
Balance at 31 December 2003			(197 570)	(197 570)
Net loss for the quarter	*	525 525	(2 136 052)	(1 610 527)
Balance at 31 December 2004	*	525 525	(2 619 196)	(2 093 671)
Net loss for the quarter			(483 056)	(483 056)
Balance at 31 March 2005	—	525 525	(3 102 252)	(2 576 727)

* amounts less than R1,000.

Cell C (Proprietary) Limited

Cash flow statement
for the quarter ended 31 March 2005

	Note	Group 31 March 2005 R000	Group 31 March 2004 R000
Cash utilised in operations	*21.1*	(20 123)	(234 446)
Net interest paid	*4*	(139 513)	(88 253)
Net cash outflow from operating activities		(159 636)	(322 699)
Cash flows from investing activities			
Proceeds on disposal of property, plant and equipment		12	—
Acquisition of property, plant and equipment—additions		(147 896)	(225 018)
Net cash outflow from investing activities		(147 884)	(225 018)
Cash flows from financing activities			
Increase in interest bearing loans and borrowings	*21.2*	250 885	707 455
Increase in current portion of interest bearing loans and borrowings		4 125	4 233
Net cash inflow from financing activities		255 010	711 688
Net (decrease)/increase in cash and cash equivalents		(52 510)	163 971
Cash and cash equivalents at beginning of the quarter		256 185	275 145
Cash and cash equivalents at the end of the quarter		203 675	439 116

Cell C (Proprietary Limited

Notes to the financial statements
for the quarter ended 31 March 2005

1. Accounting policies

1.1 Basis of preparation

The financial statements comply with International Financial Reporting Standards (IFRS) of the International Accounting Standards Board, South African Statements of Generally Accepted Accounting Practise (SA GAAP), and the Companies Act in South Africa. The financial statements are prepared on the historical cost basis, with the exception of certain financial instruments which are measured at fair value, in conformity with IFRS and SA GAAP.

Details of the group's accounting policies are set out below, and are consistent with those applied in the previous year.

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Although these estimates are based on management's best knowledge of current events and actions that the group may undertake in the future, actual results may differ from those estimated.

1.2 Basis of consolidation

Investment in subsidiaries

Subsidiaries are those entities over whose financial and operating policies the group has the power to exercise control, so as to obtain benefits from their activities.

The group financial statements incorporate the assets, liabilities and results of the operations of the company and its subsidiaries. The results of subsidiaries acquired and disposed of during a financial year are included from the effective dates of acquisition and to the effective dates of disposal. Where necessary, the accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the group.

Investments in subsidiaries are carried at cost.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains or losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

1.3 Property, plant and equipment

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. The cost of plant and equipment acquired under contracts which include an embedded derivative is calculated at the forward rates implicit in the embedded derivative. The cost of self-constructed assets includes the cost of materials and direct labour.

Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment.

Depreciation is provided on the straight line basis, at rates considered appropriate to fully amortise the assets over the estimated useful lives.

Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that future economic benefits from the use of the asset will be increased. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Surpluses/(deficits) on the disposal of property, plant and equipment are credited/(charged) to income. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

The group expenses the costs associated with the repair and maintenance of its telecommunications network, unless these add to the value of the assets or prolong the useful lives.

1.4 Leases

Finance Leases

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the group are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease, and depreciated over the estimated useful life of the asset. The capital element of future obligations under the leases is included as a liability in the balance sheet. Lease payments are allocated using the effective interest rate method to determine the lease finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor.

Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are charged against income on a straight line basis over the period of the lease.

1.5 Intangible assets

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, and expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation.

Other intangible assets acquired by the group are stated at cost less accumulated amortisation and impairment losses.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other subsequent expenditure is expensed as incurred.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets.

The difference between the net disposal proceeds and the carrying amount of an intangible asset is the gain or loss on disposal of that asset. These gains and losses are recognised in income.

Subscriber acquisition costs

Subscriber acquisition costs relating to post paid customers are capitalised and amortised over the period of the contract, not exceeding twenty four months.

Subscriber acquisition costs relating to prepaid customers are expensed as incurred.

1.6 Impairment

The carrying amounts of the group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable

amount is estimated. The recoverable amount is the higher of its net selling price and its value in use. For intangible assets that are not yet available for use, or goodwill the recoverable amount is estimated at each balance sheet date.

In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

For an asset that does not generate cash inflows that are largely independent of those from other assets the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised in the income statement whenever the carrying amount of the cash-generating unit exceeds its recoverable amount.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years.

For goodwill a recognised impairment loss is not reversed, unless the impairment loss was caused by a specific external event of an exceptional nature that is not expected to recur and the increase relates clearly to the reversal of the effect of that specific event.

1.7 Inventories

Inventories are carried at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition, and is determined using the weighted average method. Obsolete, redundant and slow moving inventories are identified on a regular basis and are written down to their estimated net realisable values.

1.8 Financial instruments

Measurement

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

Trade and other receivables

Trade and other receivables originated by the group are stated at cost less provision for doubtful debts.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at balance sheet date.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisations. Transaction costs associated with financial liabilities are included on initial recognition where appropriate. These transaction costs are amortised over the period equivalent to the period of the financial liability.

Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Derivative instruments and hedging activities

All derivatives are recognised on the balance sheet at their fair value. On the date the derivative contract is entered into the group designates the derivatives as either a hedge of the fair value of a recognised asset or liability (fair value hedge) or a hedge of a forecasted transaction (cash flow hedge). Certain derivatives transactions while providing effective economic hedges under the groups risk management policies, do not qualify for hedge accounting and are accordingly not classified as a hedge for accounting purposes. Derivative instruments are not entered into for trading or speculative purposes.

Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a fair value hedge, are recorded in the income statement along with the change in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash flow hedge, are recognised directly in equity (hedging reserve). Amounts deferred in equity are included in the income statement in the same periods during which the hedged firm commitment or forecasted transaction affects profit or loss.

Changes in the fair value of derivatives that do not qualify for the hedge accounting are recognised in the income statement. Management is satisfied that the amount provides an effective economic hedge against changes in the value of the liabilities that has been recognised through the income statement.

The group formally assess, both at hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the fair value or cash flows of hedged items.

The fair value of a publicly traded derivative is based upon quoted market values at balance sheet date.

1.9 Revenue

The group provides mobile communication services and communication related products.The group provides such services to postpaid, prepaid and community service telephone (CST) markets. Revenue represents the value of fixed consideration that has been received or is receivable. Revenue for services is stated at amounts invoiced to customers and excludes Value Added Tax.

Revenue is recognised when there is evidence of an arrangement, collectablility is reasonably assured, and the delivery of the product or service has occurred. In certain circumstances revenue is split into separately identifiable components and recognised when the related components are delivered in order to reflect the substance of the transaction. The value of components is determined using verifiable objective evidence. The group does not provide customers with the right to a refund.

Traffic and value-added services

Prepaid traffic service revenue collected in advance is deferred and recognised based on actual usage or upon expiration of the usage period or whichever comes first. The terms and conditions of certain prepaid products allow carry over of unused minutes. Revenue related to the carry over of unused minutes is deferred until usage or expiration. Payphone service revenue is recognised when the service is provided. Community phone revenue collected in advance is deferred and recognised based on actual usage or upon expiration of the usage period, whichever comes first.

Interconnection revenue for call termination is recognised in the period the traffic occurs. Revenue related to on network, network to network, roaming and international call connection services is recognised when the call is placed or the connection provided. Revenue related to products and value-added services is recognised upon delivery and acceptance of the product or service.

Contract revenue

These contracts may include a subsidised handset, 24-month service, activation, SIM-card other and ancillary services.

Revenue is recognised as follows:

- the loss on the subsidised handset, which includes costs of the handset and SIM-card is capitalised in intangibles and amortised over the contract period, not exceeding twenty four months;
- activation fee revenue received from customers is recognised upon activation by the customer;
- monthly access revenue received from the customer is recognised in the period in which the service is delivered;
- airtime revenue is recognised on the usage basis;
- any other costs incurred as a result of a new customer are capitalised in intangibles and amortised over the contract period, not exceeding twenty four months.

Prepaid revenue

Airtime

Upon purchase of an airtime voucher the customer receives the right to make outgoing calls and receive incoming calls. Revenue is recognised as the customer utilises the voucher.

Remaining elements of prepaid packages

When a prepaid package is sold, all the costs, which include the cost of the SIM-card, together with the commission, are treated as a customer acquisition cost. The cost of acquisition for prepaid customers is expensed in the period in which it occurs.

Equipment sales

Revenue from the sales of communication equipment is recognised upon delivery and acceptance by the customer.

1.10 Commissions and incentives

The group pays incentives to service providers and dealers for new activations, retention of existing customers and reaching specified sales targets. Prepaid incentives are expensed as incurred. Postpaid incentives are capitalised where appropriate and amortised as subscriber acquisition costs.

1.11 Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation. Where the effect of discounting is material, provisions are discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Unearned revenue

A provision for unearned revenue is recognised when the group has sold prepaid airtime but has not yet delivered the service to the end user. The provision represents the value of the unused airtime and offsets against revenue.

Warranties

The group provides for warranties on items sold to the extent that the warranty given to the customer will exceed the manufacturers warranty.

1.12 Investment income

Interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is probable that such income will accrue to the group.

1.13 Finance costs

Interest paid on liabilities is expensed in the income statement as incurred. The cost of raising finance is capitalised and recognised over the term of the finance agreement.

1.14 Income tax

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted at the balance sheet date, and any adjustment of tax payable for previous years.

Deferred tax is provided using the balance sheet liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax is charged to the income statement except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination that is an acquisition. The effect on deferred tax of any changes in tax rates is recognised in the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1.15 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are recorded at the rate of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Gains and losses arising on translation are credited to or charged against income.

1.16 Employee benefits

Short term employee benefits

The cost of all short term employee benefits is recognised during the period in which the employee renders the related service.

The provisions for employee entitlements to wages, salaries, annual and sick leave represent the amount which the group has a present obligation to pay as a result of employees' services provided to the balance sheet date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates.

Retirement benefits

The company and its subsidiaries contribute to a defined contribution plan. Contributions to defined contribution funds are charged against income as incurred.

1.17 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, and investments in money market instruments, net of bank overdrafts, all of which are available for use by the group unless otherwise stated.

	Group	
	31 March 2005 R000	31 March 2004 R000
2. Revenue		
Airtime and access	651 414	455 569
Data revenue	25 998	15 956
International revenue	7 389	4 149
Equipment sales	212 977	155 545
Interconnect revenue	299 153	247 880
	1 196 931	879 099
3. Operating loss		
3.1 Payments to other operators	322 395	311 403
– Interconnect	201 184	153 721
– Roaming	90 177	137 715
– Transmission links	31 034	19 967
3.2 Selling, general and admin expenses	132 315	165 196
– marketing costs	54 365	65 540
– selling, general and admin expenses	77 950	99 656
3.3 External services rendered	12 012	17 418
– consultancy services rendered	8 693	14 626
– auditors remuneration		
– audit fee	1 549	951
– expenses	225	718
– legal fees	1 545	1 123
3.4 Operating lease costs	39 535	32 116
– property	39 103	31 742
– office equipment	432	374
3.5 Depreciation and amortisation	165 982	143 503
Depreciation of property, plant and equipment	162 807	140 101
– GSM network	100 005	73 355
– computer equipment	13 181	16 075
– CST equipment	33 473	38 879
– furniture and fittings	8 865	8 048
– leasehold improvements	814	636
– office equipment	1 139	1 060
– software	4 432	1 273
– motor vehicles—commercial	167	168
– motor vehicles—passenger	731	607
Amortisation	3 175	3 401
– goodwill	—	226
– license agreement	3 175	3 175

	Group	
	31 March 2005 R000	31 March 2004 R000
4. Finance gains		
Interest paid	(129 148)	(85 147)
Financing costs	(11 644)	(5 708)
Foreign exchange gains	131 671	277 137
– realised	9 000	3 476
– unrealised	122 671	273 661
Foreign exchange losses	(374 445)	(135 144)
– realised	(1 683)	(15 131)
– unrealised	(372 762)	(120 013)
	(383 566)	51 138
5. Income tax		
South African normal tax		
– prior period tax paid	—	—
– deferred : current	—	—
– deferred : change in tax rate	—	—
Total tax	—	—
Estimated tax losses available for utilisation against future taxable income	4 055 755	4 099 743
Applied to create deferred tax asset	(4 055 755)	(4 099 743)
	—	—

	Group	
	31 March 2003 R000	31 March 2002 R000
Reconciliation of tax rate		
Current year's charge	—	—
Disallowed expenditure	—	—
Non-taxable income	—	—
Prior year adjustment	—	—
Standard tax	—	—
	%	%
Current year's charge as a percentage of income before taxation	—	—
Disallowed expenditure	—	—
Non-taxable income	—	—
Prior year adjustment	—	—
Standard tax rate	—	—

6. Property, plant and equipment

6.1 Group

	Depreciation rate %	Cost or valuation R000	Accumulated depreciation R000	Carrying amount R000
31 March 2005				
Owned				
Assets at cost modified due to impact of embedded derivative				
GSM network	14	2 188 102	771 365	1 416 737
Assets at cost				
Computer equipment	33	220 002	155 007	64 995
Software	33	536 284	401 895	134 389
Leasehold improvements	20	223 464	78 385	145 079
Office equipment	20	16 051	7 160	8 891
Furniture and fittings	10	51 039	12 060	38 979
CST equipment	20	94 057	15 369	78 688
Capital work in progress	10	618 482	—	618 482
Leased				
Motor vehicles – passenger	20	6 692	1 786	4 906
Motor vehicles – commercial	25	23 386	5 898	17 488
		3 977 559	1 448 925	2 528 634
31 December 2004				
Owned				
Assets at cost modified due to impact of embedded derivative				
GSM network	14	2 066 946	671 362	1 395 584
Assets at cost				
Computer equipment	33	217 739	141 901	75 838
Software	33	520 970	368 422	152 548
Leasehold improvements	20	221 307	69 520	151 787
Office equipment	20	15 906	6 347	9 559
Furniture and fittings	10	47 205	10 919	36 286
CST Equipment	20	85 397	10 937	74 460
Capital work in progress	10	624 203	0	624 203
Leased				
Motor vehicles—passenger	20	6 692	1 619	5 073
Motor vehicles—commercial	25	23 386	5 167	18 219
		3 829 751	1 286 194	2 543 557

Reconciliation of carrying amounts

	GSM network R000	Computer equip-ment R000	Software R000	Leasehold improve-ments R000	Office equip-ment R000	Furniture and fittings R000	CST equip-ment R000	Capital work in progress R000	Motor vehicles passenger R000	Motor vehicles comm-ercial R000	Total R000
Quarter ended 31 March 2005											
Carrying amount at beginning of year	1 395 584	75 838	152 548	151 787	9 559	36 286	74 460	624 203	5 073	18 219	2 543 557
Additions	12 713	2 350	15 314	2 157	146	3 832	8 660	102 724	—	—	147 896
Disposals	—	(12)	—	—	—	—	—	—	—	—	(12)
Transfers	108 445	—	—	—	—	—	—	(108 445)	—	—	—
Depreciation	(100 005)	(13 181)	(33 473)	(8 865)	(814)	(1 139)	(4 432)	—	(167)	(731)	(162 807)
Carrying amount at end of year	1 416 737	64 995	134 389	145 079	8 891	38 979	78 688	618 482	4 906	17 488	2 528 634
Quarter ended 31 December 2004											
Carrying amount at beginning of year	1 351 627	82 500	190 792	133 495	9 610	35 589	48 831	605 975	5 309	18 413	2 482 141
Additions	133 431	9 747	5 000	28 203	756	2 000	30 062	18 228	2 097	851	230 375
Disposals	—	—	—	—	—	—	—	—	(1 963)	(310)	(2 273)
Depreciation	(89 474)	(16 409)	(43 244)	(9 911)	(807)	(1 303)	(4 433)	—	(370)	(735)	(166 686)
Carrying amount at end of year	1 395 584	75 838	152 548	151 787	9 559	36 286	74 460	624 203	5 073	18 219	2 543 557

7. Intangible assets

	Amortisation period (years)	Cost or valuation R000	Accumulated amortisation R000	Carrying amount R000
Group				
March 2005				
Purchased intangible assets				
– Subscriber acquisition costs	2	1 443 133	(909 723)	533 410
– Fixed telecommunications license	15	100 000	(25 000)	75 000
– Licence acquisition costs	15	90 526	(22 632)	67 894
		1 633 659	(957 355)	676 304
December 2004				
Purchased intangible assets				
– Subscriber acquisition costs	2	1 274 805	(769 509)	505 296
– Fixed telecommunications license	15	100 000	(23 333)	76 667
– Licence acquisition costs	15	90 526	(21 123)	69 403
		1 465 331	(813 965)	651 366

Reconciliation of carrying amounts

	Subscriber acquisition costs R000	Fixed tele-communi-cations licence R000	Licence acquisition costs R000	Total R000
Group				
March 2005				
Carrying amount at beginning of year	505 296	76 667	69 403	651 366
Additions	168 328	—	—	168 328
Amortisation	(140 214)	(1 667)	(1 509)	(143 390)
Carrying amount at end of quarter	533 410	75 000	67 894	676 304
December 2004				
Carrying amount at beginning of year	442 618	78 334	70 912	591 864
Additions	207 997	—	—	207 997
Amortisation	(145 319)	(1 667)	(1 509)	(148 495)
Carrying amount at end of year	505 296	76 667	69 403	651 366

	Group	
	31 March 2005 R000	31 March 2004 R000

8. Deferred taxation

	31 March 2005 R000	31 March 2004 R000
Balance at beginning of quarter	896 089	1 118 198
Current period movement	—	(222 109)
– tax loss	—	(12 239)
– change in tax rate	—	(37 273)
– temporary differences	—	(172 597)
Balance at end of quarter	896 089	896 089
Comprising –		
– fixed assets	(16 056)	(16 056)
– tax losses	1 176 169	1 176 169
– provisions	57 351	57 351
– subscriber acquisition costs	(147 699)	(147 699)
– prepayments	(9 980)	(9 980)
– foreign exchange	(163 696)	(163 696)
	896 089	896 089

The deferred tax asset represents the tax benefit to be utilised to off-set future tax liabilities.

9. Inventories

	31 March 2005 R000	31 March 2004 R000
Merchandise	232 572	268 802
Provision for obsolescence	(7 464)	(18 464)
	225 108	250 338

10. Accounts receivable

	31 March 2005 R000	31 March 2004 R000
Included in accounts receivable are the following –		
Trade receivables	784 793	776 772
Prepayments and other sundry debtors	83 800	73 271
Advances paid to suppliers	44 656	50 322
Provision for doubtful debts and credit notes	(20 609)	(18 221)
	892 640	882 144

11. Cash and cash equivalents

	Group	
	31 March 2005 R000	31 March 2004 R000
Cash at bank and on hand	47 373	114 266
DSRA	156 302	141 919
	203 675	256 185

The DSRA balance has been pledged in favour of the secured long-term lenders of the company.

12. Ordinary share capital

	R000	R000
Authorised		
1000 (Dec—1000) ordinary shares of R1 each	1	1
Issued		
200 (Dec—200) ordinary shares of R1 each	*	*
Share premium	525 525	525 525
	525 525	525 525

The unissued shares of the company are under the control of the directors.

* amounts less than R1,000.

Cell C (Proprietary) Limited

Notes to the financial statements—(Continued)
for the quarter ended 31 March 2005

	Group	
	March 2005 R000	December 2004 R000
Unsecured loans		
3C Telecommunications (Proprietary) Limited*		
Comprises loans of $135 790 329 (December : $135 196 524) bearing interest at LIBOR + 2% (December : LIBOR + 2%) with no fixed terms of repayment	843 444	764 070
Saudi Oger Limited	3 385 426	3 104 298
Unsecured loans		
Junior facility*		
Loan of $192 744 633 (December : $190 641 028) bearing interest at LIBOR + 1.75% (December : LIBOR + 1.75%), the loan is repayable on 31 December 2012	1 197 207	1 077 417
Shareholder loan 2*		
Loan of $47 652 302 (December : $47 244 237) bearing interest at LIBOR + 2% (December : LIBOR + 2%) with no fixed terms of repayment	295 986	267 003
SOLF		
Loan bearing interest at JIBAR + 2.5% (December : JIBAR + 2.5%), the loan is repayable in 2008	1 893 573	1 760 749
Current account		
Loan of $215 734 (December : $154 190) bearing interest at LIBOR + 2% (December : LIBOR + 2%), with no fixed terms of repayment	(1 340)	(871)
Loan from CellSaf (Pty) Ltd*		
Loan bearing interest at LIBOR + 2% (December : LIBOR + 2%) with no fixed terms of repayment	730 316	721 895
The above unsecured loans indicated with an * have been subordinated by the shareholders in favour of other creditors.		
Siemens vendor trade credit finance (fronting bank Deutsche Bank Luxemborg)		
Loan bearing interest at JIBAR + 2.5% (December : JIBAR + 2.5%), drawdown period of two years and repayable in 4 equal quarterly instalments after drawdown	204 378	208 449
Secured loans		
SACE facility		
Loan of $61 658 470 (December : $60 931 105) bearing interest at LIBOR + 2% (December : LIBOR + 2%)	382 983	344 355
Hermes facility		
Loan of $62 366 211 (December : $52 020 884) bearing interest at LIBOR + 2% (December: LIBOR + 2%)	387 379	293 999
The SACE and Hermes loans have a combined drawdown facility of $165 million. 60% of the facility has been hedged via a cross currency basis swap at an exchange rate of R8.4454 : $1. The cross currency swap matures on the 31 December 2011. Interest is accrued monthly and settled half yearly		
Carried forward	5 933 926	5 437 066

Cell C (Proprietary) Limited

Notes to the financial statements—(Continued)
for the quarter ended 31 March 2005

	Group	
	March 2005 R000	December 2004 R000
Brought forward	5 933 926	5 437 066
Revolving credit facility		
ZAR		
The rand loan bears interest at JIBAR + 2% (December : JIBAR + 2%). Interest is accrued monthly and settled half yearly	104 838	102 101
USD		
Loan of $19 251 494 (December : $19 024 390) bearing interest at LIBOR + 2% (December : LIBOR + 2%). Interest is accrued monthly and settled half yearly	119 578	107 517
Development Bank of South Africa		
Rand loan bearing interest at JIBAR + 4.75% (September : JIBAR + 4.75%)	300 000	300 000
Industrial Development Corporation		
Rand loan bearing interest at JIBAR + 4.75% (December : JIBAR + 4.75%). Interest is accrued monthly and settled quarterly	300 000	300 000
The above secured loans are secured by the shares and assets of the group and are governed by a Common Terms Agreement. The principle on these loans is repayable from December 2006 to December 2011.		
ICASA		
Loan in respect of the Fixed Telecommunications Licence, bearing interest at prime rate and repayable over the period of the licence (15 years). Repayments commenced in 2004. The loan is secured by the tele-communications licence	158 847	154 615
Capitalised finance costs		
The costs of raising finance have been capitalised and amortised over the loan period	(151 534)	(158 276)
Amortisation is reflected as interest expense in the income statement		
Carried forward	6 765 655	6 243 023
Brought forward	6 765 655	6 243 023
Finance leases		
Finance lease obligations capitalised at an effective rate of prime minus 2%. The leases are repayable over a period of five to forty four months. These liabilities are secured by lease agreements over assets with a net book value of R22.4 million (Dec : R23.3 million) (see note 6). Monthly repayments are R 663 081 (December : R588 490)	22 318	23 347
	6 787 973	6 266 370
Current portion included in accounts payable	(79 363)	(75 238)
Finance leases	(3 849)	(3 956)
ICASA	(75 514)	(71 282)
Long term liabilities	6 708 610	6 191 132
Reconciliation of finance leases		
Total minimum lease payments	10 377	11 731
Less: finance charges	(3 094)	(3 562)
Present value of lease obligation	7 283	8 169

	Total Minimum Lease Payment		Present Value at Balance sheet date of lease payment	
	March 2005 R000	December 2004 R000	March 2005 R000	December 2004 R000
Not later than 1 year	5 617	5 851	3 849	3 956
Between 1 and 5 years	4 760	5 880	3 434	4 213
	10 377	11 731	7 283	8 169

14. Provisions

	Balance brought forward R000	Net movement on provision R000	Closing balance R000
31 March 2005			
Unearned revenue	65 116	2 164	67 280
31 December 2004			
Unearned revenue	67 203	(2 087)	65 116

15. Accounts payable

	Group	
	March 2005 R000	December 2004 R000
Trade payables	627 071	646 007
Accruals and other sundry payables	393 160	467 874
Contract retentions	17 972	5 761
	1 038 203	1 119 642

16. Derivative revaluations

Hedge mark to market	244 989	288 701
FEC mark to market	—	5 752
	244 989	294 453
	(139 268)	(172 230)
	(137 491)	(172 230)
	(1 777)	—
	105 721	122 223

17. Capital and lease commitments

Authorised	—	
– contracted for	1 107 021	1 104 158

The proposed capital expenditure will be financed by additional long term external finance to be raised in the market.

Future operating lease charges for premises, office equipment and GSM network capacity.

– payable within one year	483 979	478 574
– payable between 1 and 5 years	1 691 218	1 678 246
– payable after 5 years	803 067	778 666
	2 978 264	2 935 486

18 Employee benefits

The group provides retirement benefits for all its permanent employees through a funded defined contribution pension scheme that is subject to the Pension Funds Act, 1956 as amended.

Contributions	5 855	5 477
Number of employees	1 348	1 254

19. Financial instruments

Exposure to currency, interest rate and credit risk arises in the normal course of the group's business. Unless otherwise stated, the carrying amount of financial instruments approximates the fair value.

19.1 Financial risk management

The group is exposed to currency risk, interest rate risk and credit risk. Interest risk and currency risk are managed by a treasury committee in accordance with the groups hedging policy. This hedging policy focuses on the unpredictability of financial markets and seeks to minimise adverse effects on financial performance and reduce the volatility of earnings. Management has implemented a credit policy and the group's exposure to credit risk is monitored on an on going basis by operating divisions and the finance department.

19.2 Currency risk

The group incurs currency risk as a result of purchases and borrowings in foreign currencies. The currencies in which the group primarily deals are Euros and US Dollars. To the extent possible, receipts in foreign currency are used to settle foreign liabilities. Forward exchange contracts are entered into on a case-by-case basis to offset the foreign currency risk of orders denominated in a foreign currency. Hedging of foreign borrowings is assessed on an ongoing basis and hedges are implemented in accordance with currency views and the group's hedging policy. Certain foreign borrowings required hedging of the foreign exchange risks as a special condition of such loans and in these cases hedges are implemented prior to drawdown dates.

19.3 Interest rate risk

The group has generally adopted a policy of ensuring that its exposure to changes in interest rates is on a floating rate basis. In the future the group will evaluate its exposure to fixed and floating rate debt and enter into hedges with a view to reducing volatility in interest rate payments.

19.4 Credit risk

Credit evaluations are performed on all customers requiring credit over a certain amount. Reputable financial institutions are used for investing and cash handling purposes. At balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

20. Related parties

20.1 Identity of related parties

The holding company of Cell C (Proprietary) Limited is 3C Telecommunications (Proprietary) Limited which holds 100% (December—100%) of the company's ordinary shares. The subsidiaries of the group are identified in note 10. CellSAf (Proprietary) Limited holds 40% of the shares of 3C Telecommunications. The group traded with the following related parties during the quarter.

- Kunene Bros. (Proprietary) Limited
- Oger Telecom (South Africa) (Proprietary) Limited

- ATOS Origin (Schlumberger Sema)
- Contract Kitting
- Desert Charm t/a Activate
- Customised Business Solutions
- Click and Call

20.2 Material related party transactions

Material transactions with the company

Loans to and from related parties – see note 14
Interest received on loans to related parties – see note 14

Material transactions with the group

Loans to and from related parties – see note 14
Interest received on loans to related parties – see note 14

	March 2005		December 2004	
	Transactions R000	Balance owing R000	Transactions R000	Balance owing R000
Material transactions with related party companies				
Kunene Bros	43	—	43	—
Oger Telecom (South Africa)	6 640	2 877	6 642	5 763
Desert Charm t/a Activate	602	—	(23 068)	1 250
Customised Business Solutions	—	—	751	146
Click and Call	—	—	(16 895)	—
ATOS Origin (Schlumberger Sema)	1 853	—	7 387	4 659

All transactions with related party companies are trade related.

21. Notes to cash flow statement

21.1 Cash utilised in operations

	Group	
	March 2005 R000	March 2004 R000
Operating loss	(100 769)	(251 310)
Adjustments for –		
Depreciation and amortisation	165 982	143 503
Subscriber acquisition costs incured	(168 328)	(67 726)
Amortisation of subscriber acquisition costs	140 215	87 964
Realised foreign exchange gains	9 000	3 476
Realised foreign exchange losses	(1 683)	(15 131)
Operating profit before working capital changes	44 417	(99 224)
Decrease in inventories	25 230	29 562
Decrease/(increase) in accounts receivable	(10 496)	(56 904)
Decrease in accounts payable	(81 438)	(87 143)
Increase/(decrease) in provisions	2 164	(20 737)
	(20 123)	(234 446)

21.2 Increase in interest bearing loans and borrowings

	Group	
	March 2005 R000	March 2004 R000
Increase in interest bearing loans and borrowings	517 478	519 552
Adjusted for –		
Derivative revaluation	(16 502)	34 255
Unrealised foreign exchange gains	122 671	273 661
Unrealised foreign exchange losses	(372 762)	(120 013)
	250 885	707 455

22. Contingent liabilities

Mobile Telephone Network Limited (MTN) has brought legal action against Cell C (Proprietary) Limited, relating to a dispute on the community services telephone interconnect charges payable to MTN. The group has accrued for the liability that it believes is owed in terms of the agreement. The unprovided portion amounts to R170 066 903. The group has been advised that the claim by MTN is unlikely to be successful and accordingly no provision has been made for the disputed amount.

23. Comparative figures

The disputed portion in the amount of R130 697 412 of MTN Interconnect Payable has been reallocated from Accounts Receivable to Accounts Payable in the comparative figures so as to enhance disclosure and comparability.

ANNEX A—THE REPUBLIC OF SOUTH AFRICA

The following information on the Republic of South Africa is intended as a general summary and has been extracted from publicly available documents, and has not been prepared or independently verified by us or our advisers or the initial purchaser or any of their respective affiliates or advisers.

Introduction

In 1994, South Africa held its first fully democratic national elections, culminating in the election of Mr. Nelson Mandela as President of South Africa, then the leader of the African National Congress and the anti-apartheid movement in South Africa. In June 1999 and April 2004, South Africa held its second and third fully democratic national elections, resulting in the election and re-election of Mr. Thabo Mbeki, the leader of the African National Congress, as president.

The Constitution states that South Africa is "founded on a commitment to promote and protect human dignity, to achieve equality and to advance human rights and freedoms." It enshrines the principles of the supremacy of the constitution and rule of law, universal adult suffrage, regular elections and multi-party democracy. The Constitution's Bill of Rights is one of the world's broadest; guaranteeing property rights, freedom of speech, movement and political activity and giving those accused of crimes many legal protections. Among other things, the Bill of Rights enshrines the right to adequate housing, food, water, education and health care and prohibits discrimination on the basis of race, gender, sexual orientation, age, pregnancy or marital status.

South Africa must address a legacy of divisions within the population, largely along racial lines, which have taken a heavy toll on human development and the economy. This toll is evidenced by the chronically high unemployment rate (26.2% of the economically active population as of September 2004 according to Statistics South Africa) and the widely divergent nature of the economy, in which vast sections of the population suffer tremendous inadequacies in areas such as housing, sanitation, health care and education, while a small minority enjoys the benefits associated with a highly developed society. The Government is committed to advancing social development, with social security programs during the 2005 budget year accounting for 14% of consolidated non-interest expenditure.

Private sector confidence, cooperation between labour and management and reduced levels of violence are expected to continue to be important determinants of being able to achieve sustainable economic growth in South Africa, with the long-term aim of creating jobs for all economically active South Africans. A dramatic increase in job opportunities will not be easily or rapidly obtained, and unemployment is unfortunately likely to remain a feature of the South African economy in the near future.

Despite these challenges, South Africa has the most developed economy in Sub-Saharan Africa, with a GDP equal to more than five times that of its four immediate neighbors combined (Namibia, Botswana, Zimbabwe and Mozambique). The major strengths of the South African economy are its strong physical and economic infrastructure, its abundant natural resources, particularly gold and a wide variety of other minerals including coal and uranium oxide, and its growing manufacturing sector.

Geography and Population

The Republic of South Africa is the southernmost country on the African continent, bordered on the northwest by Namibia and Botswana; on the northeast by Zimbabwe, Mozambique and Swaziland; on the east and south by the Indian Ocean; and on the west by the Atlantic Ocean. Lesotho forms an enclave in the northeastern part of the country. The Republic of South Africa covers an area of approximately 1.2 million square kilometers and comprises nine provinces: Gauteng, Limpopo, Mpumalanga, North-West Province, Free State, Eastern Cape, Northern Cape, Western Cape and KwaZulu-Natal.

The country has three capitals: Cape Town is the legislative capital, Pretoria is the executive capital and Bloemfontein is the judicial capital. The estimated population as of mid-year 2004 was approximately 46.6 million people according to Statistics South Africa. Major regions in South Africa include KwaZulu-Natal with the largest share of the population (approximately 21%) and the country's leading port, Durban. Gauteng, with approximately 19% of the population, includes Johannesburg, Pretoria and Soweto, a township outside Johannesburg which is one of the largest communities in South Africa. The third largest province is the Eastern Cape (approximately 15%), which includes Port Elizabeth, an industrial city and major port.

According to Statistics South Africa, as per the Census 2001, between 59% and 62% of households are in urban areas. The most densely populated parts of South Africa are the four major industrialised areas: the Pretoria/Witwatersrand/Vereeniging area of Gauteng, the Durban/Pinetown/Pietermaritzburg area of KwaZulu-Natal, the Cape Peninsula area of the Western Cape and the Port Elizabeth/Uitenhage area of the Eastern Cape. Among the black population, there are numerous ethnic groups and 11 official languages.

Until recently, whites dominated the non-white majority population under the political system of racial segregation known as apartheid. Legalised apartheid ended in the early 1990s, but South Africa is still recovering from the racial inequalities in economic power, opportunity and lifestyle. The end of apartheid led to the lifting of trade and other sanctions against South Africa imposed by the international community. It also led to a total reorganisation of the Government, which since 1994 has been a nonracial democracy based on majority rule.

Government and Politics

The twentieth century produced several fundamental governmental changes in South Africa. In 1910, the Union of South Africa was formed as a largely autonomous dominion of Britain. In 1961, South Africa became a republic and left the Commonwealth. A new constitution in 1984 established a three-house parliament with white, coloured and Asian houses, but excluded the black majority altogether. Lengthy constitutional negotiations in the early 1990s led to the implementation of an interim constitution in April 1994. The interim constitution was designed to encourage the sharing of power between major parties with cabinet representation proportionate to their electoral strength. This was effectively a compromise intended to provide continuity in Government until the adoption of a new constitution.

In December 1996, the parliament passed the Constitution of the Republic of South Africa, 1996, which came into force on February 4, 1997. The Constitution enshrines the principles of an open and democratic society and also established a relatively strong central Government and nine provincial governments. The majority party in parliament elects the president to a five-year term. The president appoints both the sole deputy president and all members of the cabinet, without regard to party representation in the parliament.

Ultimately, legislative authority vests in a parliament, which consists of two houses, the National Assembly and the National Council of Provinces. The National Assembly allows between 350 and 400 members elected by popular vote under a system of proportional representation. The National Council of Provinces consists of nine provincial delegations, which are elected by the members of the provincial legislatures. Each of the nine provinces' provincial legislature and the Constitution contains a schedule that contains a list of matters over which the provincial legislatures have concurrent competence with the national legislature as well as certain issues over which the provincial legislatures have exclusive jurisdiction.

The judiciary is structured according to a formal court system comprising a hierarchy of courts, with the highest being the Constitutional Court which rules on matters relating to the interpretation, protection and enforcement of the provisions of the Constitution. In relation to non-constitutional matters, the Supreme Court of Appeal is the highest judicial body. The independence of the judiciary is entrenched in the Constitution.

On June 2, 1999, South Africa held its second fully democratic national election. Most of South Africa's major political parties participated in the election, which was ultimately won by the ANC, led by Thabo Mbeki. On April 4, 2004, South Africa's third fully democratic national election resulted in another ANC victory, whereby the party secured 70% of the votes.

South Africa's political environment is not expected to change significantly in the short to medium term. Thabo Mbeki's term of office ends in 2009, and discussions are currently underway regarding his possible successor, who is due to be chosen at the party congress in 2007.

Economy

Economic overview

South Africa has a highly developed financial system and legal infrastructure at the core of its economy. However, it faces many challenges in order to overcome substantial inequalities among its population through social and economic development. Large parts of the population do not have access to adequate education, health care, housing or basic services, including telecommunications services, in certain areas.

In the years prior to South Africa's first democratic elections in 1994, the economy suffered from the country's political isolation, economic sanctions and poor economic growth. During the apartheid period, the

Government professed to follow the capitalist system, although its own economic policies were in many respects interventionist and a large portion of the economy was owned and controlled by the state, while its racial policies compromised fundamental elements of capitalism such as the free movement of labour. International sanctions imposed because of the Government's apartheid policies were increasingly damaging in the late 1980s, but ended in the early 1990s as the apartheid era came to a close.

When the ANC came to power it was feared that it would pursue socialist policies. In practice, however, its economic policies have been geared to maximising economic growth and attracting foreign investment. In recent years, the economy has benefited from stable political conditions through a transition to a nonracial democracy, normalisation of its international financial and trading relations and improving economic fundamentals resulting from prudent monetary and fiscal policies.

The Government's macroeconomic strategy for growth, employment and redistribution is based on promoting the free market and financial and fiscal discipline and aims at economic growth, job creation and the development and distribution of basic services to all South Africans. Some of the key elements of this strategy include reducing the budget deficit, restructuring and privatising certain state assets, the further relaxation of foreign exchange controls, the maintenance of positive real interest rates, a sound monetary policy and the introduction of tax incentives for foreign direct investment.

Economic Summary

	2000	2001	2002	2003	2004
Real GDP growth rate (%)	4.2	2.7	3.6	2.8	3.7
Current account as a percentage of GDP (%)	(1.3)	0.3	0.7	(1.8)	(3.1)
Gold and gross foreign reserves (U.S.$ bn)	7.7	7.6	7.8	8.2	14.9
Rand per U.S.$—average	6.95	8.61	10.50	7.54	6.43
Rand per U.S.$—year end	7.58	11.96	8.57	6.68	5.67
Rand per £—average	10.50	12.40	15.75	12.32	11.79
Rand per £—year end	11.32	17.40	13.80	11.94	10.87
Prime lending rate at year end (%)	14.50	13.00	17.00	11.50	11.00
Inflation rate (CPI, annual average) (y/y %)	5.4	5.7	9.2	5.8	1.4

Gross Domestic Product

The South African economy is the largest and most sophisticated on the African continent. The per capita GDP in South Africa was $4,591 at the end of 2004, which ranks South Africa alongside other middle-income countries such as Chile, Mexico, Poland, Hungary and Malaysia. Economic growth has in the past years begun to recover in response to substantial easing of the monetary policy by the South African Reserve Bank, or SARB, after the emerging market crisis and an improvement in prospects for world growth and commodity prices. GDP growth has averaged 3.0% per year since 1994, compared to 1.0% in the years between 1984 and 1994.

South Africa is changing economically from a producer of raw materials to an industrial nation that produces both raw materials and commercial products. The nation's manufacturing, commerce and services have been built extensively on the foundations of mining and farming. The manufacturing sector accounted for the largest portion of GDP at 20.2% in 2003, followed by the financial services sector at 19.5%. Mining still plays an important, albeit diminishing role in the economy, both directly and indirectly as a result of manufacturing output devoted to the processing of minerals. Mining and quarrying accounted for 5.4% of GDP in 2003, while agriculture, forestry and fishing accounted for 4.3% of GDP.

Fiscal and Monetary Policy

Following a period of consolidation from 1997 to 2000, South Africa's fiscal policy entered a more expansionary phase in 2001. The government has recently indicated a further relaxation by increasing expenditure on physical infrastructure and social services but within a framework that limits the size of the budget deficit to approximately 3.0% of GDP.

The national budget fiscal year 2003/04 deficit was 2.3% of GDP, below the 3.0% target. The revised estimate for the 2004/05 year remains at 2.3% (compared with an initial estimate of 3.1% in the 2004 budget), a lower figure as a result of increases in revenue and revisions to historical GDP data. Strong growth in non-interest expenditure is expected to result in an estimated 3.1% deficit for the 2005/06 fiscal year.

As of March 31, 2004, the total debt of the South African Government stood at R443.3 billion (34.7% of GDP); the 2004/05 budget estimated this figure to come down to 34.3% in the 2005 fiscal year. Total net loan debt, is however expected to rise from to 36.1% of GDP in 2007/08 due to accelerated public expenditure on infrastructure.

Monetary policy is the sole responsibility of the SARB, the independence of which is safeguarded by the Constitution. The SARB's primary focus is on financial stability, and it has remained focused on an inflation target range of 3-6% per year.

Headline consumer price index inflation (the 12-month rate of change in the South African Consumer Price Index, or CPI, for metropolitan areas) was reduced to 1.4% in 2004 from 5.8% the previous year, while the CPIX inflation rate (headline inflation excluding mortgage costs) was reduced to 4.3% from 6.8%. Monetary policy in the short term is expected to remain focused on containing inflation within the target range.

Foreign Trade and the Current Account

South Africa participates in a number of trade relationships. It was a founding member of the General Agreement on Tariffs and Trade and is an active member of the World Trade Organization. Since 2000, South Africa has concluded Free Trade Agreements with the European Union and South African Development Community. Trade with the European Union has continued to grow since 2000 and accounts for almost half of South Africa's total foreign trade.

The current account deficit reached an estimated 2.3% of GDP during 2004 compared to 0.9% in 2003; this was largely due to increased capital expansion. Total exports for 2004 increased by 7.0%, supported by a strong gold price and rising demand for manufactured exports. Total imports, however, increased more sharply over the period by 18.6%; this was driven by the declining rand prices of imports, robust global oil prices and non-oil commodities as well as extraordinary items (maritime defence vessels and commercial aircraft).

Exchange Rates

The SARB, founded in 1920, is responsible for formulating and implementing monetary policy, overseeing the banking system and issuing the currency. Between January 1997 and December 2001, the rand depreciated at an average annual rate of 20.7% against the U.S. dollar. This was primarily due to two events. The first was the emerging markets crisis in 1997 and 1998, which resulted in significant depreciation in the currencies of emerging markets globally. The second was the deteriorating political situation in Zimbabwe during the course of 2000.

In the last quarter of 2001, the currency depreciated significantly, spiking at R13.84 to the U.S. dollar. Since then, it has enjoyed a phase of gradual strengthening, appreciating by an average annual rate of 22.0% against the U.S. dollar (to December 2004) and exhibiting more stability than in previous years. It is expected that a stable macroeconomic environment and improved economic prospects for South Africa will help reduce market volatility.

The present exchange control system in South Africa is used principally to control capital movements. South African companies were historically not permitted to export capital from South Africa, hold foreign currency or maintain foreign bank accounts without the approval of the South African exchange control authorities or within authorities granted to authorised dealers in foreign exchange. The South African authorities have expressed a commitment to a phased liberalisation of exchange controls and in 2004, removed the limits for investment abroad under certain conditions and an exemption for the retention of foreign dividends abroad. Exchange controls are still in place for individuals.

Labour and Employment

According to Statistics South Africa, the rate of unemployment in South Africa is decreasing, while employment in the formal sector is stabilising and may be increasing. According to the Statistics SA Labour Force Survey, the official unemployment rate fell from 27.9% in March 2004 to 26.2% in September 2004. In addition to the Skills Development Act, 1999, the Government is attempting to reduce the unemployment figures through the introduction of various initiatives such as the National Skills Development Strategy to increase apprenticeship opportunities for younger members of the labour force.

There are well-developed collective bargaining structures in place and many of the unions have affiliated themselves with trade union federations such as the Congress of South African Trade Unions and the National Council of Trade Unions. A number of the trade unions and their leaderships have close links to various political parties. Similarly, many employers have become affiliated with the employers' organisations and federations of these organisations for the purposes of collective bargaining with trade unions.

The South African Labour Relations Act, 1995, governs relations between employees and employers. The Act provides for more expansive rights of union organisations, wider power to strike, the establishment of workplace forums and the protection of employees from unfair dismissal. It also promotes the decentralisation of decision making to workplace and company levels, while centralising the major collective bargaining issues at industry sector levels.

The Act essentially seeks to establish simpler and more effective procedures for arbitration, conciliation and mediation. The introduction of the Commission for Conciliation, Mediation and Arbitration, to which disputes must be referred prior to industrial action, significantly raises the prospects of having labour disputes resolved. Three other important statutes, which enhance the rights of employees, are:

- the South African Basic Conditions of Employment Act, 1997, which increased the minimum labour standards applicable in South Africa and extended the categories of employees to whom the minimum standard legislation is applicable;
- the South African Employment Equity Act, 1998, which obliges all employers, other than exempted small employers, to implement affirmative action measures designed to ensure that suitably qualified persons from previously disadvantaged groups have equal employment opportunities; and
- the Occupational Health and Safety Act, 1993, designed to prevent illnesses and accidents by imposing duties on employers to remove or mitigate hazards to health and safety.

Due to the globalisation of South Africa's pay structures as well as continued shortages of managerial and professional skills, the earnings gap between minimum wage workers and semi-skilled and senior executive workers has widened between 1994 and 2004. Unemployment remains high, and job creation was highlighted as one of the key challenges for Thabo Mbeki's second term in office.

Black Economic Empowerment

Black economic empowerment (BEE) is the main thrust of attempts to correct the imbalance in ownership of the economy inherited from apartheid. Its intention is to redress the exclusion of the majority of South Africans from the mainstream economy by increasing the number of black people who have ownership and control of businesses and the number of black managers and executives within businesses.

Originally, the Government foresaw this process from happening naturally but has, since 1994, formalised its approach to BEE through legislation in order to speed up the process. It has chosen to introduce a number of laws to encourage BEE, without being too restrictive or prescriptive.

The Broad Based Empowerment Act, signed into law in 2004, allows the Department of Trade and Industry to issue codes of conduct and guidelines for BEE. A scorecard method, that assesses a company's performance with regards to employment, education, training and ownership, is used to ensure that the focus is not only on equity ownership. A higher rating will assure firms of a greater portion of government and other business as opposed to peers with lower ratings.

Where possible, the Government has made BEE a requirement of doing business in South Africa, and encouraged the private sector to help in this national project of economic transformation. In this respect, each industry has drawn up a BEE charter that will guide that industry's transformation process; at the moment more than twelve different charters are in progress. The Financial Services Charter was drawn up in 2004 along these lines, a process driven by the industry itself, and other charters are expected to follow this example.

The South African Financial System

South Africa's strong financial services sector is backed by a sound regulatory and legal framework, with a banking sector that compares favourably with that of industrialised countries. Three regulated exchanges exist, the JSE Securities Exchange South Africa ("JSE"), the Bond Exchange of South Africa ("BESA") and the South African Futures Exchange ("Safex"). The Financial Services Board ("FSB"), established by statute, oversees the regulation of the exchanges and both long- and short-term insurers, but excluding banking institutions, which fall under the SARB.

The well-developed banking system comprises the SARB, four large banks (ABSA Bank, Nedcor Bank, FirstRand Bank and Standard Bank) and a number of smaller banks. The Banks Act is largely based on similar legislation in the United Kingdom, Australia and Canada. As an office of the SARB, the Registrar of Banks is responsible for registering institutions as banks as well as enforcing the requirements of the Banks Act, this supervision includes establishment of capital and liquidity requirements.

The JSE was formed in 1887 to enable financiers to raise funds for the development of the fledgling mining industry, and provides facilities for the buying and selling of a wide range of securities, including equity securities and warrants in respect of securities. In order to fall in line with international practice, in 1999, the JSE introduced a project by the name of Share Transactions Totally Electronic (termed STRATE), which involved the demateralisation of share certificates in a central securities depository and the introduction of electronic settlement in order to increase settlement speed, certainty and efficiency.

The market capitalisation of the 400 companies listed on the JSE was approximately R2,758 billion (U.S.$460 billion) as of March 2005. The World Federation of Exchanges, as of the end of January 2005, ranked the JSE 16th in the world in terms of market capitalisation.

BESA, which formally registered as an exchange in 1996, offers three-day rolling settlement and implements a bond automated trading settlement system. BESA complies with all "Group of 30" recommendations on clearing and settlement. The market capitalisation of BESA, as of March 2005, was approximately R539 billion (U.S.$90 billion) with 385 listed instruments.

Safex was established in August 1990 and its agricultural derivatives division was established in 1995. It provides price risk management through futures options. In 2001, Safex and JSE members agreed to a buyout of Safex by the JSE. Safex currently has two divisions, Safex Financial Derivatives and Safex Agricultural Derivatives.

ANNEX B—GLOSSARY OF TERMS

Term	Definition
ANC	African National Congress
ARPU	Average revenue per user
BEE	Black economic empowerment
Broadband	A high-speed telecommunications link, allowing transmission at 2 Mbits or higher
Churn	Customer disconnections or suspensions of mobile service
CPI	South African Consumer Price Index
CST	Community service telephone, or "public access" telephones established in under-served areas of South Africa
DBSA	Development Bank of Southern Africa
Digital	Information expressed in binary patterns of ones and zeros
EDGE	Enhanced data GSM environment, a faster version of GSM
Fax mail	Enables subscribers to receive, store and forward facsimile (fax) transmissions through their handsets, without a separate fax interface
Frame Relay	Originally developed from ISDN, it is a variation of the x.25 interface offering fast local loop. The physical wires, usually copper, that run from a subscriber's site to their telecommunications company's local switch or exchange
GDP	Gross domestic product
GPRS	General packet radio service offering a fast (144Mbs) connection for the transmission of data in an "always connected" mode. GSM subscribers are currently limited to 9600Kbs. GPRS enables internet access on hand portable phones
GSM	Global system for mobile communications, previously groupe speciale mobile. It is one of the leading digital cellular systems
GSM 900	The standard for digital mobile telecommunications operating around the 900MHz band, as established by the European Telecommunications Standards Institute
GSM 1800	The standard for digital mobile telecommunications operating around the 1800MHz band, as established by the European Telecommunications Standards Institute
GSM 1900	The standard for digital mobile telecommunications operating around the 1900MHz band, as established by the European Telecommunications Standards Institute
ICASA	Independent Communications Authority of South Africa
IN	Intelligent network. A network offering high levels of sophistication, and is capable of identifying the profile of its users or subscribers. IN will allow for seamless integration of the different technologies
Interconnection	The physical and logical linking of telecommunications networks in order to allow the users of one network to communicate with users of another network. Interconnection costs refer to the payments made by a telecommunications network operator to another operator to carry traffic to and from customers on their behalf
International roaming	The ability to move between mobile operator's service areas outside South Africa without any (or minimal) disturbance to the connection
Internet	The interactive global network linking millions of computers, transmitting, storing and providing information for users
ISDN	Integrated services digital network. Enables high-speed data transfer over existing copper telephone lines
IT	Information technology
ITU	International Telecommunications Union, an intergovernmental organisation responsible for adopting international treaties, regulations and standards governing telecommunications
IVR	Interactive voice response, a tehnology by which a telephone user interacts directly (that is without a human interface) with a database to acquire information from/enter information in the database

JIBAR . . . . Johannesburg Interbank Acceptance Rate

LFI . . . . Licence fee income

LIBOR . . . . London Interbank Offered Rate

MHz . . . . Megahertz; a unit of frequency equal to 1 million cycles per second

MSC . . . . Mobile switching centre

MMS . . . . Multimedia messaging service

MSC / IN . . . . Mobile switching centre / intelligent network

MVNO . . . . Mobile virtual network operator, which is an operator that does not have its own licenced spectrum or its own infrastructure (that is, its own network to carry voice and data traffic) to provide mobile service to customers. Instead, an MVNO leases capacity from a licenced operator but operates under its own brand name, with its own interconnect agreements and own regulated tariffs.

National roaming . . . . Contractual arrangement with Vodacom to allow our subscribers access to its network for those parts of South Africa that our network does not cover

PSTN . . . . Public switched telephone network

PSTS . . . . Public switched telephone service

Ringtones . . . . Personalised tones heard upon receiving an incoming call

SARB . . . . South African Reserve Bank

SMS . . . . Short message service, which allows subscribers to type, send, receive and forward text messages using their handsets

SNO . . . . Second national operator

3G . . . . An ITU specification for the third generation (analog cellular/mobile being the first, digital cellular/mobile being the second) mobile communications technology

VAT . . . . value added tax

WAP . . . . Wireless application protocol. Allows for specially formatted internet pages to be displayed on mobile communication devices.

WASP . . . . Wireless application service providers

WIG . . . . Wireless internet gateway

WiMAX . . . . A specification (IEEE 802.16) for broadband wireless metropolitan access networks using point to multipoint architecture. It supports very high bit rates in both uploading and downloading from a base station.

WTO . . . . World Trade Organization

x.25 . . . . A popular ITU standard for packet switching networks. Packet switching refers to protocols (format for transmitting data) for transmitting messages.

ZAR . . . . South African rand

Cell C Service Provider Company (Proprietary) Limited

Annual Financial Statements

for the year ended 31 December 2004

Report of the independent auditors

To the members of Cell C Service Provider Company (Proprietary) Limited

We have audited the annual financial statements of Cell C Service Provider Company (Proprietary) Limited set out on pages 3 to 14 for the year ended 31 December 2004. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Statements of South African Auditing Standards and International Financial Reporting Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion. In our opinion, the financial statements present fairly, in all material respects, the financial position of the company at 31 December 2004 and the results of its operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.

Without qualifying our opinion, we draw attention to the directors' report which indicates that the company incurred a net loss for the year ended 31 December 2004 of R116 million and as of that date the company's total liabilities exceeded its total assets by R164 million. Note 15 to the financial statements also indicates why, in these circumstances, the financial statements are prepared on the basis of accounting policies applicable to a going concern.

KPMG Inc.
Registered Accountants and Auditors
Chartered Accountants (SA)

Per DR Clark
Director
31 March 2005

Cell C Service Provider Company (Proprietary) Limited

Income statement
for the year ended 31 December 2004

	Note	2004	2003
		R	R
Revenue	*2*	**2 496 410 088**	1 503 959 873
Cost of sales		**(2 314 580 140)**	(1 361 224 173)
Gross profit		**181 063 692**	142 735 700
Selling, general and administrative expenses		**(341 753 986)**	(313 659 131)
Loss from operations	*3*	**(159 924 038)**	(170 923 431)
Net interest received	*4*	**1 261 002**	2 252 907
Loss before tax		**(158 663 036)**	(168 670 524)
Taxation	*5*	**43 024 529**	50 767 222
Net loss after tax		**(115 638 507)**	(117 903 302)

Cell C Service Provider Company (Proprietary) Limited

Balance sheet
at 31 December 2004

	Note	2004	2003
		R	R
Assets			
Non-current assets		**148 243 402**	101 568 481
Furniture and equipment	*6*	**20 983 673**	17 333 281
Deferred tax asset	*5*	**127 259 729**	84 235 200
Current assets		**549 078 022**	352 883 223
Inventories	*7*	**144 800 120**	106 911 647
Accounts receivable	*8*	**373 976 657**	231 354 778
Cash and cash equivalents		**30 301 245**	14 616 798
Total assets		**697 321 424**	454 451 704
Equity and liabilities			
Capital and reserves			
Share capital	*9*	**101**	101
Share premium	*9*	**149 999 999**	149 999 999
Accumulated loss		**(314 212 563)**	(198 574 056)
		(164 212 463)	(48 573 956)
Current liabilities		**861 533 887**	503 025 660
Accounts payable	*10*	**271 709 194**	219 467 644
Amounts owed to holding company	*11*	**589 824 693**	283 558 016
		697 321 424	454 451 704

Cell C Service Provider Company (Proprietary) Limited

Statement of changes in equity
for the year ended 31 December 2004

	Share capital	Share premium	Accumulated loss	Total
	R	R	R	R
Balance at 1 January 2003	101	149 999 999	(80 670 754)	69 329 346
Net loss for the year	—	—	(117 903 302)	(117 903 302)
Balance at 31 December 2003	101	149 999 999	(198 574 056)	(48 573 956)
Net loss for the year	—	—	(115 638 507)	(115 638 507)
Balance at 31 December 2004	101	149 999 999	(314 212 563)	(164 212 463)

Cell C Service Provider Company (Proprietary) Limited

Cash flow statement
for the year ended 31 December 2004

	Note	2004	2003
		R	R
Cash utilised in operations	*13*	**(282 382 637)**	(135 878 283)
Net interest received	*4*	**1 261 002**	2 252 907
Net cash outflow from operating activities		**(281 121 635)**	(133 625 376)
Cash flows from investing activities			
Proceeds from disposal of furniture and equipment		**—**	1 297 652
Acquisition of furniture and equipment		**(9 460 595)**	(7 122 951)
Net cash outflow from investing activities		**(9 460 595)**	(5 825 299)
Cash flows from financing activities			
Increase in amounts due to holding company		**306 266 677**	116 766 640
Net cash inflow from financing activities		**306 266 677**	116 766 640
Net increase/(decrease) in cash and cash equivalents		**15 684 447**	(22 684 035)
Cash and cash equivalents at beginning of year		**14 616 798**	37 300 833
Cash and cash equivalents at end of year		**30 301 245**	14 616 798

Notes to the financial statements
for the year ended 31 December 2004

1. Accounting policies

1.1 Basis of preparation

The financial statements are prepared under the historical cost convention. The financial statements incorporate the principal accounting policies set out below, which are consistent with those adopted in the previous financial period.

The financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice and the requirements of the South African Companies Act.

1.2 Furniture and equipment

Furniture and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided on the straight line basis, at rates considered appropriate to fully amortise assets over the estimated useful lives.

Subsequent expenditure relating to an item of furniture and equipment is capitalised when it is probable that future economic benefits from the use of the asset will be increased. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Surpluses/(deficits) on the disposal of furniture and equipment are credited/(charged) to income. The surplus or deficit is the difference between the net disposal and the carrying amount of the asset.

1.3 Leases

Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are charged against income on a straight line basis over the period of the lease.

1.4 Impairment

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its net selling price and its value in use.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

1.5 Inventories

Inventories are carried at the lower of average cost and net realisable value. Obsolete, redundant and slow moving inventories are identified on a regular basis and are written down to their estimated net realisable values.

1.6 Financial instruments

Measurement

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

Trade and other receivables

Trade and other receivables originated by the company are stated at cost less provision for doubtful debts.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value at balance sheet date.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisations.

Offsetting of financial assets and liabilities

Intercompany/group financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.7 Revenue

Revenue includes airtime revenue (including fixed monthly access charges), roaming revenue, franchise fees, revenue from sales of telecommunication equipment and value added services excluding Value Added Tax.

Revenues from airtime and value added services are recognised when the service is rendered.

Revenues from fixed monthly access charges are recognised on a straight-line basis over the contract period.

Revenue from sales of telecommunication equipment and connection charges are recognised upon delivery to the customer or activation by the customer, as appropriate.

1.8 Cost of sales

Payments to Cell C (Proprietary) Limited for handling outgoing calls are included in cost of sales.

1.9 Tax

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted at the balance sheet date, and any adjustment of tax payable for previous years.

Deferred tax is provided using the balance sheet liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax is charged to the income statement. The effect on deferred tax of any changes in tax rates is recognised in the income statement.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1.10 Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation.

1.11 Employee benefits

Short term employee benefits

The cost of all short term employee benefits is recognised during the period in which the employee renders the related service.

The provisions for employee entitlements to wages, salaries, annual and sick leave represent the amount which the company has a present obligation to pay as a result of employees' services provided to the balance sheet date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates.

Retirement benefits

The company and its subsidiaries contribute to a provident fund. Contributions to the provident fund are charged against income as incurred.

Cell C Service Provider Company (Proprietary) Limited

Notes to the financial statements—(Continued)
for the year ended 31 December 2004

	2004 R	2003 R
2. Revenue		
Sale of airtime and handsets	**2 495 643 832**	1 503 289 484
Franchise fees	**766 256**	670 389
	2 496 410 088	1 503 959 873
3. Loss from operations		
is arrived at after taking into account –		
Depreciation	**5 810 203**	4 930 388
– computer equipment	**3 293 380**	2 938 250
– computer software	**280 385**	2 567
– leasehold improvements	**44 543**	46 060
– office equipment	**951 656**	854 566
– furniture and fittings	**1 240 239**	1 088 945
Rentals		
– premises	**45 837 389**	32 829 022
– office equipment	**5 380**	—
– motor vehicles	**360 868**	328 713
Bad debt expense	**26 894 893**	—
Auditors' remuneration		
– audit fee	**660 000**	1 035 000
– other services	**71 735**	6 500
Consulting fees	**914 464**	283 199
Legal fees	**211 164**	672 700
4. Interest		
Interest received	**1 275 658**	2 283 156
Interest paid	**(14 656)**	(30 249)
Net interest received	**1 261 002**	2 252 907
5. Taxation		
5.1 South African normal tax		
– current	**—**	—
– deferred		
– current	**(45 832 369)**	(50 767 222)
– change in tax rate	**2 807 840**	—
Total tax relief	**(43 024 529)**	(50 767 222)
5.2 Deferred tax asset		
Comprising –		
Tax losses	**110 618 114**	70 646 151
Temporary differences	**19 449 454**	13 589 049
Change in tax rate	**(2 807 840)**	—
Total tax	**127 259 729**	84 235 200

	2004 %	2003 %
Current year's credit as a percentage of loss before tax	**27,1**	29,8
Disallowed expenditure	**0,3**	0,2
Change in tax rate	**1,6**	—
Standard tax rate	**29,0**	30,0

Cell C Service Provider Company (Proprietary) Limited

Notes to the financial statements—(Continued)
for the year ended 31 December 2004

6. Furniture and equipment

	Depreciation rate	Cost or valuation	Accumulated depreciation	Carrying amount
	%	R	R	R
2004				
Computer equipment	**20**	**13 844 723**	**7 836 046**	**7 169 776**
Computer software	**33**	**2 508 063**	**284 235**	**2 223 828**
Leasehold improvements	**20**	**234 309**	**91 194**	**169 795**
Office equipment	**20**	**4 740 867**	**2 107 802**	**2 628 195**
Furniture and fittings	**10**	**12 937 971**	**2 962 983**	**8 792 079**
		34 265 933	**13 282 260**	**20 983 673**
2003				
Computer equipment	20	8 986 900	4 542 666	4 444 234
Computer software	33	7 700	3 850	3 850
Leasehold improvements	20	234 309	46 651	187 658
Office equipment	20	4 507 770	1 156 146	3 351 624
Furniture and fittings	10	11 068 659	1 722 744	9 345 915
		24 805 338	7 472 057	17 333 281

The asset clearing account represents assets purchased close to year end, which have not yet been allocated to an asset category in the fixed asset register. No depreciation has been charged on these assets.

Movement during the year ended 31 December 2004 –

	Computer equipment	Computer software	Leasehold improve-ments	Office equipment	Furniture and fittings	Asset clearing	Total
	R	R	R	R	R	R	R
2004							
Opening balance	**4 444 234**	**3 850**	**187 658**	**3 351 624**	**9 345 915**	**—**	**17 333 281**
Additions during year	**4 857 823**	**2 500 363**	**—**	**(233 097)**	**(1 869 312)**	**—**	**9 460 595**
Depreciation	**(3 293 380)**	**(280 385)**	**(44 543)**	**(951 656)**	**(1 240 239)**	**—**	**(5 810 203)**
	7 169 776	**2 223 828**	**169 795**	**2 628 195**	**8 792 079**	**—**	**20 983 673**
2003							
Opening balance	3 105 285	6 417	13 826	4 018 264	8 019 237	1 275 341	16 438 370
Additions during year	4 214 689	—	—	656 815	2 251 447	—	7 122 951
Disposals	(122 935)	—	(573 342)	(100 512)	(500 863)	—	(1 297 652)
Reclassification	185 445	—	793 234	(368 377)	665 039	(1 275 341)	—
Depreciation	(2 938 250)	(2 567)	(46 060)	(854 566)	(1 088 945)	—	(4 930 388)
	4 444 234	3 850	187 658	3 351 624	9 345 915	—	17 333 281

7. Inventories

	2004	2003
	R	R
Merchandise		
– at cost	**144 800 120**	106 911 647

	2004	2003
	R	R
8. Accounts receivable		
Included in accounts receivable are the following –		
Trade receivables	**351 478 099**	228 350 395
Prepayments and other sundry debtors	**34 812 190**	18 411 091
Provision for doubtful debts	**(12 313 632)**	(15 406 708)
	373 976 657	231 354 778
9. Share capital		
Authorised		
4 000 ordinary shares of R1 each	**4 000**	4 000
Issued		
101 (2003 – 101) ordinary shares of R1 each	**101**	101
Share premium	**149 999 999**	149 999 999
	150 000 100	150 000 100
10. Accounts payable		
Included in accounts payable are the following		
Trade payables	**32 683 083**	39 534 234
Sundry creditors	**130 513 921**	109 148 962
Provisions	**108 512 190**	70 784 448
	271 709 194	219 467 644

11. Amounts owed to holding company

The holding company has agreed to subordinate so much of its claim against the company as would, in the event of the liquidation of the company, enable the claims of other creditors to be paid in full.

In the current year the Cell C Property Company (Proprietary) Limited amalgamated with the holding company Cell C (Proprietary) Limited.

Amounts of R118 140 602 (2003 – R63 676 788) owing to the Cell C Property Company (Proprietary) Limited are for the requisition of fixed assets and property running expenses incurred by Cell C Property Company (Proprietary) Limited on behalf of Cell C Service Provider Company (Proprietary) Limited.

12. Financial instruments

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

At balance sheet date there were no significant concentrations of credit risk.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

13. Notes to the cash flow statement

	2004 R	2003 R
Cash utilised in operations		
Loss before interest and taxation	**(159 924 038)**	(170 923 431)
Adjustments for		
– depreciation	**5 810 203**	4 930 388
Operating loss before working capital	**(154 113 835)**	(165 993 043)
Working capital changes		
(Increase)/decrease in inventories	**(37 888 473)**	746 491
Increase in accounts receivable	**(142 621 879)**	(56 702 792)
Increase in accounts payable	**52 241 550**	86 071 061
Cash utilised in operations	**(282 382 637)**	(135 878 283)

14. Employee benefits

The company provides retirement benefits for all its permanent employees through a funded defined contribution pension scheme that is subject to the Pension Funds Act, 1956 as amended.

	2004 R	2003 R
Contributions	**5 653 892**	5 216 168
Number of employees	**451**	419

15. Going concern

The company incurred a net loss for the year ended 31 December 2004 of R116 million (2003: R118 million) and as of that date the company's total liabilities exceeded its total assets by R164 million. In terms of its business model, the company was expected to incur losses in the initial years with these losses reversing in the medium term. As indicated in note 11 the shareholders have subordinated their right to claim or accept repayment of certain of their loans to the company in favour of the other creditors until the assets of the company, fairly valued exceed its liabilities. Accordingly, the financial statements are prepared on the basis of accounting policies applicable to a going concern.

Cell C Service Provider Company (Proprietary) Limited

Annual Financial Statements

for the year ended 31 December 2003

Report of the independent auditors

To the members of Cell C Service Provider Company (Proprietary) Limited

We have audited the annual financial statements of Cell C Service Provider Company (Proprietary) Limited set out on pages 3 to 14 for the year ended 31 December 2003. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with Statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company at 31 December 2003 and the results of its operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.

Going concern

Without qualifying our opinion, we draw attention to the directors' report which indicates that the company incurred a net loss for the year ended 31 December 2003 of R117,9 million and as of that date the company's total liabilities exceeded its total assets by R48,6 million. The directors' report also indicates why, in these circumstances, the financial statements are prepared on the basis of accounting policies applicable to a going concern.

KPMG Inc.
Registered Accountants and Auditors
Chartered Accountants (SA)

Per DR Clark
Director
13 February 2004

Cell C Service Provider Company (Proprietary) Limited

Income statement
for the year ended 31 December 2003

	Note	2003	2002
		R	R
Revenue	*2*	**1 503 959 873**	1 103 087 200
Cost of sales		**1 361 224 173**	954 133 352
Gross profit		**142 735 700**	148 953 848
Selling, general and administrative expenses		**(313 659 131)**	254 744 235
Loss from operations	*3*	**(170 923 431)**	(105 790 387)
Interest received	*4*	**2 252 907**	1 328 252
Loss before tax		**(168 670 524)**	(104 462 135)
Taxation	*5*	**50 767 222**	30 685 985
Net loss after tax		**(117 903 302)**	(73 776 150)

Cell C Service Provider Company (Proprietary) Limited

Balance sheet
at 31 December 2003

	Note	2003	2002
		R	R
Assets			
Non-current assets		**101 568 481**	49 906 348
Furniture and equipment	*6*	**17 333 281**	16 438 370
Deferred tax asset	*5*	**84 235 200**	33 467 978
Current assets		**352 883 223**	319 610 957
Inventories	*7*	**106 911 647**	107 658 138
Accounts receivable	*8*	**231 354 778**	174 651 986
Cash and cash equivalents		**14 616 798**	37 300 833
Total assets		**454 451 704**	369 517 305
Equity and liabilities			
Capital and reserves			
Ordinary share capital	*9*	**101**	101
Share premium	*9*	**149 999 999**	149 999 999
Accumulated loss		**(198 574 056)**	(80 670 754)
		(48 573 956)	69 329 346
Current liabilities		**503 025 660**	300 187 959
Accounts payable	*10*	**219 467 644**	133 396 583
Amounts owed to holding company	*11*	**219 881 228**	140 934 664
Amounts owed to fellow subsidiary	*12*	**63 676 788**	25 856 712
		454 451 704	369 517 305

Cell C Service Provider Company (Proprietary) Limited

Statement of changes in equity
for the year ended 31 December 2003

	Ordinary share capital	Share premium	Accumulated loss	Total
	R	R	R	R
Balance at 1 January 2002	100	—	(6 894 604)	(6 894 504)
Net loss for the year	—	—	(73 776 150)	(73 776 150)
Share capital raised	1	149 999 999		150 000 000
Balance at 31 December 2002	101	149 999 999	(80 670 754)	69 329 346
Net loss for the year	—	—	(117 903 302)	(117 903 302)
Balance at 31 December 2003	101	149 999 999	(198 574 056)	(48 573 956)

Cell C Service Provider Company (Proprietary) Limited

Cash flow statement
for the year ended 31 December 2003

	Note	2003	2002
		R	R
Cash utilised in operations	*14*	**(135 878 283)**	(110 050 742)
Interest received	*4*	**2 252 907**	1 328 252
Net cash outflow from operating activities		**(133 625 376)**	(108 722 490)
Cash flows from investing activities			
Proceeds from disposal of furniture and equipment		**1 297 652**	900 874
Acquisition of furniture and equipment		**(7 122 951)**	(11 406 895)
Net cash outflow from investing activities		**(5 825 299)**	(10 506 021)
Cash flows from financing activities			
Proceeds from share issue		**—**	150 000 000
Increase/(decrease) in amounts due to holding company		**78 946 564**	(19 258 786)
Increase in amounts due to fellow subsidiary		**37 820 076**	23 763 175
Net cash inflow from financing activities		**116 766 640**	154 504 389
Net (decrease)/increase in cash and cash equivalents		**(22 684 035)**	35 275 878
Cash and cash equivalents at beginning of year		**37 300 833**	2 024 955
Cash and cash equivalents at end of year		**14 616 798**	37 300 833

Cell C Service Provider Company (Proprietary) Limited

**Notes to the financial statements
for the year ended 31 December 2003**

1. Accounting policies

The annual financial statements are prepared under the historical cost convention. The financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice and incorporate the principal accounting policies set out below, which are consistent with those adopted in the previous financial period.

1.1 Statement of compliance

The financial statements are prepared in accordance with South African statements of Generally Accepted Accounting Practice and the requirements of the South African Companies Act.

1.2 Furniture and equipment

Furniture and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided on the straight line basis, at rates considered appropriate to fully amortise assets over the estimated useful lives.

1.3 Leases

Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are charged against income on a straight line basis over the period of the lease.

1.4 Impairment

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its net selling price and its value in use.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

1.5 Inventories

Inventories are carried at the lower of average cost and net realisable value. Obsolete, redundant and slow moving inventories are identified on a regular basis and are written down to their estimated net realisable values.

1.6 Financial instruments

Measurement

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

Trade and other receivables

Trade and other receivables originated by the company are stated at cost less provision for doubtful debts.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value at balance sheet date.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisations.

Offsetting of financial assets and liabilities

Intercompany/group financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.7 Revenue

Revenue includes airtime revenue (including fixed monthly access charges), roaming revenue, franchise fees, revenue from sales of telecommunication equipment and value added services excluding Value Added Tax.

Revenues from airtime and value added services are recognised when the service is rendered.

Revenues from fixed monthly access charges are recognised on a straight-line basis over the contract period.

Revenue from sales of telecommunication equipment and connection charges are recognised upon delivery to the customer or activation by the customer, as appropriate.

1.8 Cost of sales

Payments to Cell C (Proprietary) Limited for handling outgoing calls are included in cost of sales.

1.9 Tax

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted at the balance sheet date, and any adjustment of tax payable for previous years.

Deferred tax is provided using the balance sheet liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax is charged to the income statement. The effect on deferred tax of any changes in tax rates is recognised in the income statement.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1.10 Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation.

1.11 Employee benefits

Short term employee benefits

The cost of all short term employee benefits is recognised during the period in which the employee renders the related service.

The provisions for employee entitlements to wages, salaries, annual and sick leave represent the amount which the company has a present obligation to pay as a result of employees' services provided to the balance sheet date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates.

Retirement benefits

The company and its subsidiaries contribute to a provident fund. Contributions to the provident fund are charged against income as incurred.

Cell C Service Provider Company (Proprietary) Limited

Notes to the financial statements—(Continued) for the year ended 31 December 2003

	2003	2002
	R	R
2. Revenue		
Sale of airtime and handsets	**1 503 289 484**	1 102 407 186
Franchise fees	**670 389**	680 014
	1 503 959 873	1 103 087 200
3. Loss from operations		
is arrived at after taking into account –		
Depreciation	**4 930 388**	2 447 853
– computer equipment	**2 938 250**	1 495 582
– computer software	**2 567**	1 283
– leasehold improvements	**46 060**	3 530
– office equipment	**854 566**	274 302
– furniture and fittings	**1 088 945**	673 156
Rentals		
– premises	**32 829 022**	20 205 533
– office equipment	**—**	240 061
– motor vehicles	**328 713**	133 221
4. Interest		
Interest received	**2 283 156**	1 676 056
Interest paid	**(30 249)**	(347 804)
Net interest received/(paid)	**2 252 907**	1 328 252
5. Taxation		
5.1 South African normal tax		
– current	**—**	—
– deferred	**(50 767 222)**	(30 685 985)
Total tax relief	**(50 767 222)**	(30 685 985)
5.2 Deferred tax asset		
Comprising –		
Tax losses	**70 646 151**	24 742 331
Temporary differences	**13 589 049**	8 725 647
Total tax	**84 235 200**	33 467 978
5.3 Reconciliation of tax rate	%	%
Current year's credit as a percentage of loss before tax	**29,8**	29,4
Disallowed expenditure	**0,2**	0,6
Standard tax rate	**30,0**	30,0

6. Furniture and equipment

	Depreciation rate	Cost or valuation	Accumulated depreciation	Carrying amount
	%	R	R	R
2003				
Computer equipment	**20**	**8 986 900**	**4 542 666**	**4 444 234**
Computer software	**33**	**7 700**	**3 850**	**3 850**
Leasehold improvements	**20**	**234 309**	**46 651**	**187 658**
Office equipment	**20**	**4 507 770**	**1 156 146**	**3 351 624**
Furniture and fittings	**10**	**11 068 659**	**1 722 744**	**9 345 915**
		24 805 338	**7 472 057**	**17 333 281**
2002				
Computer equipment	20	4 720 268	1 614 983	3 105 285
Computer software	33	7 700	1 283	6 417
Leasehold improvements	20	17 650	3 824	13 826
Office equipment	20	4 295 001	276 737	4 018 264
Furniture and fittings	10	8 726 194	706 957	8 019 237
Asset clearing account	—	1 275 341	—	1 275 341
		19 042 154	2 603 784	16 438 370

The asset clearing account represents assets purchased close to year end, which have not yet been allocated to an asset category in the fixed asset register. No depreciation has been charged on these assets.

Movement during the year ended 31 December 2003 –

	Computer equipment	Computer software	Leasehold improvements	Office equipment	Furniture and fittings	Asset clearing	Total
	R	R	R	R	R	R	R
2003							
Opening balance	3 105 285	6 417	13 826	4 018 264	8 019 237	1 275 341	16 438 370
Additions during year	4 214 689	—	—	656 815	2 251 447	—	7 122 951
Disposals	(122 935)	—	(573 342)	(100 512)	(500 863)	—	(1 297 652)
Reclassification	185 445	—	793 234	(368 377)	665 039	(1 275 341)	—
Depreciation	(2 938 250)	(2 567)	(46 060)	(854 566)	(1 088 945)	—	(4 930 388)
	4 444 234	3 850	187 658	3 351 624	9 345 915	—	17 333 281
2002							
Opening balance	4 179 061	—	17 356	155 487	4 028 298	—	8 380 202
Additions during year	1 322 680	7 700	—	4 137 079	4 664 095	1 275 341	11 406 895
Disposals	(900 874)	—	—	—	—	—	(900 874)
Depreciation	(1 495 582)	(1 283)	(3 530)	(274 302)	(673 156)	—	(2 447 853)
	3 105 285	6 417	13 826	4 018 264	8 019 237	1 275 341	16 438 370

7. Inventories

	2003	2002
	R	R
Merchandise		
– at cost	**106 911 647**	107 658 138

	2003 R	2002 R
8. Accounts receivable		
Included in accounts receivable are the following –		
Trade receivables	**228 350 395**	156 236 051
Prepayments and other sundry debtors	**18 411 091**	26 510 935
Provision for doubtful debts	**(15 406 708)**	(8 095 000)
	231 354 778	174 651 986
9. Share capital		
Authorised		
4 000 ordinary shares of R1 each	**4 000**	4 000
Issued		
101 (2002 – 101) ordinary shares of R1 each	**101**	101
10. Accounts payable		
Included in accounts payable are the following		
Trade payables	**39 534 234**	23 249 971
Sundry creditors	**109 148 962**	58 411 116
Provisions	**70 784 448**	51 735 496
	219 467 644	133 396 583

11. Amounts owed to holding company

The holding company has agreed to subordinate so much of its claim against the company as would, in the event of the liquidation of the company, enable the claims of other creditors to be paid in full.

12. Amounts owed to fellow subsidiary

Amounts owing to the Cell C Property Company (Proprietary) Limited are for the requisition of fixed assets and property running expenses incurred by Cell C Property Company (Proprietary) Limited on behalf of Cell C Service Provider Company (Proprietary) Limited.

13. Financial instruments

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

At balance sheet date there were no significant concentrations of credit risk.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

	2003 R	2002 R
14. Notes to the cash flow statement		
Cash utilised in operations		
Loss before interest and taxation	**(170 923 431)**	(105 790 387)
Adjustments for		
– depreciation	**4 930 388**	2 447 853
Operating loss before working capital	**(165 993 043)**	(103 342 534)
Working capital changes		
Decrease in inventories	**746 491**	412 400
Increase in accounts receivable	**(56 702 792)**	(84 814 079)
Increase in accounts payable	**86 071 061**	77 693 471
	(135 878 283)	(110 050 742)

Cell C Property Company (Proprietary) Limited

Annual Financial Statements

for the year ended 31 December 2004

Cell C Property Company (Proprietary) Limited
(Reg. No. 2001/008003/07)

Annual Financial Statements
for the year ended 31 December 2004

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Cell C Property Company (Proprietary) Limited

Directors' responsibility for the annual financial statements

The directors are responsible for monitoring the preparation of and the integrity of the financial statements and related information included in this annual report.

In order for the board to discharge its responsibilities, management has developed and continues to maintain a system of internal control. The board has ultimate responsibility for the system of internal controls and reviews its operations, primarily through risk-monitoring committees.

The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable but not absolute assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the group's policies and procedures. These controls are implemented by trained, skilled personnel with an appropriate segregation of duties, are monitored by management and include a comprehensive budgeting and reporting system operating within strict deadlines and an appropriate control framework.

The financial statements are prepared in accordance with South African Generally Accepted Accounting Practice and incorporate disclosure in line with the accounting philosophy of the group. They are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors believe that the company will be a going concern in the year ahead. For this reason they continue to adopt the going concern basis in preparing the annual financial statements.

A directors' report has not been presented as the company is a wholly owned subsidiary of a company registered in the Republic of South Africa.

The annual financial statements for the year ended 31 December 2004 set out on pages 4 to 9 have been approved by the board of directors on 31 March 2005 and are signed on its behalf by –

______________________________	______________________________
(Director)	*(Director)*

Report of the independent auditors

To the member of Cell C Property Company (Proprietary) Limited

We have audited the annual financial statements of Cell C Property Company (Proprietary) Limited set out on pages 4 to 9 for the year ended 31 December 2004. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with statements of International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company at 31 December 2004 and the results of its operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.

Without qualifying our opinion, we draw attention to note 8 to the financial statements which indicates that the company incurred a net loss for the year ended 31 December 2004 of Rnil (2003 – R10,6 million) and as of that date its total liabilities exceeded its total assets by R10,5 million (2003 – R10,5 million). Note 8 to the financial statements also indicates why, in these circumstances, the financial statements are prepared on the basis of accounting policies applicable to a going concern.

KPMG Inc.
Registered Accountants and Auditors
Chartered Accountants (SA)

Per DR Clark
Director
31 March 2005

Cell C Property Company (Proprietary) Limited

Income statement
for the year ended 31 December 2004

	Note	2004	2003
		R000	R000
Revenue		—	78 017
Gross expenses		—	(88 895)
Loss before interest and tax	*2*	—	(10 878)
Net finance costs	*3*	—	(43)
Loss before tax		—	(10 921)
Income tax	*4*	—	318
Loss for the year		—	(10 603)

Cell C Property Company (Proprietary) Limited

Balance sheet
at 31 December 2004

	Note	2004 R000	2003 R000
Equity and liabilities			
Capital and reserves			
Ordinary share capital	*6*	*	*
Share premium		**3 000**	3 000
Accumulated loss		**(13 501)**	(13 501)
		(10 501)	(10 501)
Current liabilities		**10 501**	10 501
Loans from holding and fellow subsidiary companies	*5*	**10 501**	10 501
Total equity and liabilities		**—**	—

* – Amounts less than R1 000

Cell C Property Company (Proprietary) Limited

Statement of changes in equity
for the year ended 31 December 2004

	Ordinary share capital	Share premium	Accumulated loss	Total
	R000	R000	R000	R000
Balance at 1 January 2003	*	3 000	(2 898)	102
Net loss for the year			(10 603)	(10 603)
Balance at 31 December 2003	*	3 000	(13 501)	(10 501)
Balance at 1 January 2004	*	3 000	(13 501)	(10 501)
Net loss for the year			—	—
Balance at 31 December 2004	*	3 000	(13 501)	(10 501)

* – Amounts less than R1 000

Cell C Property Company (Proprietary) Limited

Cash flow statement
for the year ended 31 December 2004

	2004	2003
	R000	R000
Cash generated by operations	—	21 679
Net finance costs	—	(43)
Tax paid	—	(1 184)
Net cash inflow from operating activities	—	20 452
Cash outflows from investing activities	—	(22 562)
Acquisition of property, plant and equipment		
– additions	—	(17 355)
Proceeds on sale of net assets	—	(5 207)
Net decrease in cash and cash equivalents	—	(2 110)
Cash and cash equivalents at beginning of year	—	2 110
Cash and cash equivalents at end of year	—	—

Cell C Property Company (Proprietary) Limited

Notes to the financial statements
for the year ended 31 December 2004

1. Accounting policies

The annual financial statements are prepared on the historical cost convention except for certain financial instruments which are carried at fair value. The financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice and the requirements of the Companies Act in South Africa.

The annual financial statements are prepared on the going concern basis.

	2004 R000	2003 R000
2. Loss before interest and tax		
is arrived at after taking into account –		
Depreciation of property, plant and equipment	—	11 481
– computer equipment	—	215
– furniture and fittings	—	352
– leasehold improvements	—	10 818
– office equipment	—	67
– software	—	29
Audit fees	—	33
Operating rental charges – property	—	66 579
3. Net finance costs		
Interest paid	—	43
4. Income tax expense		
South African normal tax		
– deferred	—	318

	%	%
4.1 Tax rate reconciliation		
Standard rate	—	30,0
Disallowed expenditure	—	(27,1)
Effective tax rate	—	2,9

	2004 R000	2003 R000
5. Non-interest bearing loans and borrowings		
Loans from holding and fellow subsidiary companies		
Loans from Cell C (Proprietary) Limited	**10 501**	10 501
	10 501	10 501

The loan from Cell C (Proprietary) Limited has been subordinated in favour of other creditors of the company until such time as the assets of the company, fairly valued, exceed its liabilities.

	2004 R000	2003 R000
6. Ordinary share capital		
Authorised		
4 000 (2003 – 4 000) ordinary shares of R1 each	**4 000**	4 000
Issued		
101 (2003 – 100) ordinary shares of R1 each	**101**	101

7. Related parties

7.1 Identity of related parties

The holding company of Cell C Property Company (Proprietary) Limited is Cell C (Proprietary) Limited.

8. Going concern

The company incurred a net loss for the year ended 31 December 2004 of Rnil (2003 – R10,6 million) and as of that date its total liabilities exceeded its total assets by R10,5 million (2003 – R10,5 million). As indicated in note 5, Cell C (Proprietary) Limited has subordinated its right to claim or accept repayment of its loan to the company in favour of the other creditors until the assets of the company, fairly valued exceed its liabilities. Accordingly, the financial statements are prepared on the basis of accounting policies applicable to a going concern.

Cell C Property Company (Proprietary) Limited

Annual Financial Statements

for the year ended 31 December 2003

Cell C Property Company (Proprietary) Limited
(Reg. No. 2002/008003/07)

Annual Financial Statements
for the year ended 31 December 2003

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Cell C Property Company (Proprietary) Limited

Directors' responsibility for the annual financial statements

The directors are responsible for monitoring the preparation of and the integrity of the financial statements and related information included in this annual report.

In order for the board to discharge its responsibilities, management has developed and continues to maintain a system of internal control. The board has ultimate responsibility for the system of internal controls and reviews its operations, primarily through risk-monitoring committees.

The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable but not absolute assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the group's policies and procedures. These controls are implemented by trained, skilled personnel with an appropriate segregation of duties, are monitored by management and include a comprehensive budgeting and reporting system operating within strict deadlines and an appropriate control framework.

The financial statements are prepared in accordance with South African Generally Accepted Accounting Practice and incorporate disclosure in line with the accounting philosophy of the group. They are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors believe that the group will be a going concern in the year ahead. For this reason they continue to adopt the going concern basis in preparing the group annual financial statements.

A directors' report has not been presented as the company is a wholly owned subsidiary of a company registered in the Republic of South Africa.

The annual financial statements for the year ended 31 December 2003 set out on pages 4 to 16 have been approved by the board of directors on 23 March 2004 and are signed on its behalf by –

(Director)	*(Director)*

Report of the independent auditors

To the member of Cell C Property Company (Proprietary) Limited

We have audited the annual financial statements of Cell C Property Company (Proprietary) Limited set out on pages 4 to 16 for the year ended 31 December 2003. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with Statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company at 31 December 2003 and the results of its operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.

Going concern

Without qualifying our opinion, we draw attention to note 16 to the financial statements which indicates that the company incurred a net loss for the year ended 31 December 2003 of R10 603 000 and as of that date its total liabilities exceeded its total assets by R10 501 000. Note 16 to the financial statements also indicates why, in these circumstances, the financial statements are prepared on the basis of accounting policies applicable to a going concern.

KPMG Inc.
Registered Accountants and Auditors
Chartered Accountants (SA)

Per DR Clark
Director
23 March 2004

Cell C Property Company (Proprietary) Limited

Income statement
for the year ended 31 December 2003

	Note	2003	2002
		R000	R000
Revenue		**78 017**	36 273
Gross expenses		**(88 895)**	(37 248)
Loss before interest and tax	*2*	**(10 878)**	(975)
Net finance costs	*3*	**(43)**	(66)
Loss before tax		**(10 921)**	(1 041)
Income tax	*4*	**318**	(1 427)
Net loss for the year		**(10 603)**	(2 468)

Cell C Property Company (Proprietary) Limited

Balance sheet
at 31 December 2003

	Note	2003 R000	2002 R000
Assets			
Non-current assets			
Property, plant and equipment	*5*	—	71 160
Current assets		—	59 877
Accounts receivable	*6*	—	9 819
Cash and cash equivalents		—	2 110
Loans to holding and fellow subsidiary companies	*7*	—	47 948
Total assets		—	131 037
Equity and liabilities			
Capital and reserves			
Ordinary share capital	*8*	*	*
Share premium		**3 000**	3 000
Accumulated loss		**(13 501)**	(2 898)
		(10 501)	102
Non-current liabilities			
Deferred tax liability	*9*	—	243
Current liabilities		**10 501**	130 692
Loans from holding and fellow subsidiary companies	*7*	**10 501**	120 482
Accounts payable	*10*	—	9 026
Taxation		—	1 184
Total equity and liabilities		—	131 037

* – Amounts less than R1 000

Cell C Property Company (Proprietary) Limited

Statement of changes in equity for the year ended 31 December 2003

	Share premium	Ordinary share capital	Accumulated loss	Total
	R000	R000	R000	R000
Balance at 1 January 2002	—	*	(430)	(430)
Shares issued	3 000	*		3 000
Net loss for the year			(2 468)	(2 468)
Balance at 31 December 2002	3 000	*	(2 898)	102
Net loss for the year			(10 603)	(10 603)
Balance at 31 December 2003	3 000	*	(13 501)	(10 501)

* – Amounts less than R1 000

Cell C Property Company (Proprietary) Limited

Cash flow statement
for the year ended 31 December 2003

	Note	2003 R000	2002 R000
Cash generated by operations	*13.1*	**21 679**	55 000
Net finance costs		**(43)**	(66)
Tax paid		**(1 184)**	—
Net cash inflow from operating activities		**20 452**	54 934
Cash flows from investing activities		**(22 562)**	(55 824)
Acquisition of property, plant and equipment			
– additions		**(17 355)**	(55 824)
Proceeds on sale of net assets	*14*	**(5 207)**	—
Cash flows from financing activities			
Proceeds from share issue		**—**	3 000
Net (decrease)/increase in cash and cash equivalents		**(2 110)**	2 110
Cash and cash equivalents at beginning of year		**2 110**	—
Cash and cash equivalents at end of year		**—**	2 110

Cell C Property Company (Proprietary) Limited

Notes to the financial statements
for the year ended 31 December 2003

1. Accounting policies

The annual financial statements are prepared on the historical cost convention except for certain financial instruments which are carried at fair value. The financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice.

The annual financial statements are prepared on the going concern basis.

The principal accounting policies are set out below –

1.1 Property, plant and equipment

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. The cost of self-constructed assets includes the cost of materials and direct labour.

Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment.

Depreciation is provided on the straight line basis, at rates considered appropriate to fully amortise the assets over the estimated useful lives.

Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that future economic benefits from the use of the asset will be increased. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Surpluses/(deficits) on the disposal of property, plant and equipment are credited/(charged) to income. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

1.2 Leases

Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are charged against income on a straight line basis over the period of the lease.

1.3 Impairment

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its net selling price and its value in use. For intangible assets that are not yet available for use, or goodwill or intangible assets amortised over a period exceeding 20 years, the recoverable amount is estimated at each balance sheet date.

In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

For an asset that does not generate cash inflows that are largely independent of those from other assets the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised in the income statement whenever the carrying amount of the cash-generating unit exceeds its recoverable amount.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying

amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years. For goodwill a recognised impairment loss is not reversed, unless the impairment loss was caused by a specific external event of an exceptional nature that is not expected to recur and the increase relates clearly to the reversal of the effect of that specific event.

1.4 Financial instruments

Measurement

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

Trade and other receivables

Trade and other receivables originated by the group are stated at cost less provision for doubtful debts.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at balance sheet date.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisations.

Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.5 Revenue

Revenue includes rental and operating costs received from franchises, office parks, BTS sites and warehouses excluding Value Added Tax.

Revenue is recognised on a monthly basis over the period of the lease.

1.6 Tax

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted at the balance sheet date, and any adjustment of tax payable for previous years.

Deferred tax is provided using the balance sheet liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax is charged to the income statement except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination that is an acquisition. The effect on deferred tax of any changes in tax rates is recognised in the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Cell C Property Company (Proprietary) Limited

Notes to the financial statements—(Continued)
for the year ended 31 December 2003

1.7 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, and investments in money market instruments, net of bank overdrafts, all of which are available for use by the group unless otherwise stated.

	2003 R000	2002 R000
2. Loss before interest and tax		
is arrived at after taking into account –		
Depreciation of property, plant and equipment	**11 481**	9 794
– furniture and fittings	**352**	384
– computer equipment	**215**	227
– leasehold improvements	**10 818**	9 132
– office equipment	**67**	51
– capital work in progress	**—**	—
– software	**29**	
Audit fees	**33**	10
Operating rental charges – property	**66 579**	19 723
3. Net finance costs		
Interest received	**—**	17
Interest paid	**(43)**	(83)
	(43)	(66)
4. Income tax expense		
South African normal tax		
– current	**—**	1 184
– deferred	**318**	243
	318	1 427

	%	%
4.1 Tax rate reconciliation		
Standard rate	**30,0**	30,0
Disallowed expenditure	**(27,1)**	(179,5)
Prior period deferred tax asset not raised	**—**	12,4
	2,9	(137,1)

5. Property, plant and equipment

	Depreciation rate	Cost or valuation	Accumulated depreciation	Carrying amount
	%	R000	R000	R000
2003				
Computer equipment	**33**	**—**	**—**	**—**
Leasehold improvements	**20**	**—**	**—**	**—**
Office equipment	**20**	**—**	**—**	**—**
Furniture and fittings	**10**	**—**	**—**	**—**
Capital work in progress	**0**	**—**	**—**	**—**
Software	**33**	**—**	**—**	**—**
		—	**—**	**—**
2002				
Computer equipment	**33**	920	247	673
Leasehold improvements	**20**	75 645	9 497	66 148
Office equipment	**20**	304	51	253
Furniture and fittings	**10**	4 470	384	4 086
Capital work in progress	**0**	—	—	—
		81 339	10 179	71 160

Reconciliation of carrying amounts

	Computer equipment	Leasehold improvements	Office equipment	Furniture and fittings	Capital work in progress	Software	Total
	R000	R000	R000	R000	R000	R000	R000
2003							
Carrying amount at beginning of year	**673**	**66 148**	**253**	**4 086**	**—**	**—**	**71 160**
Additions	**12**	**16 812**	**139**	**298**	**—**	**94**	**17 355**
Disposals	**(470)**	**(72 142)**	**(325)**	**(4 032)**	**—**	**(65)**	**(77 034)**
Depreciation	**(215)**	**(10 818)**	**(67)**	**(352)**	**—**	**(29)**	**(11 481)**
Carrying amount at end of year	**—**	**—**	**—**	**—**	**—**	**—**	**—**
2002							
Carrying amount at beginning of year	671	23 366	—	—	1 093	—	25 130
Additions	229	50 821	304	4 470	—	—	55 824
Transfers	—	1 093	—	—	(1 093)	—	—
Depreciation	(227)	(9 132)	(51)	(384)	—	—	(9 794)
Carrying amount at end of year	673	66 148	253	4 086	—	—	71 160

Cell C Property Company (Proprietary) Limited

Notes to the financial statements—(Continued)
for the year ended 31 December 2003

	2003 R000	2002 R000
6. Accounts receivable		
Included in accounts receivable are the following –		
Trade receivables	—	2 632
Deposits	—	3 629
Prepayments and other sundry debtors	—	3 558
	—	9 819
7. Non-interest bearing loans and borrowings		
Loans to/(from) holding and fellow subsidiary companies		
Loans to Cell C (Proprietary) Limited	—	21 401
Loans to Cell C Service Provider Company (Proprietary) Limited	—	26 547
	—	47 948
Loans from Cell C (Proprietary) Limited	**10 501**	(119 792)
Loans from Cell C Service Provider Company (Proprietary) Limited	—	(690)
	10 501	(120 482)

The loan from Cell C (Proprietary) Limited has been subordinated in favour of other creditors of the company until such time as the assets of the company, fairly valued, exceed its liabilities.

	2003	2002
8. Ordinary share capital		
Authorised		
4 000 (2002 – 4 000) ordinary shares of R1 each	**4 000**	4 000
Issued		
101 (2002 – 100) ordinary shares of R1 each	**101**	100
9. Deferred tax		
Balance at the beginning of the year	**(243)**	—
Current	**318**	(243)
– tax losses	—	—
– temporary differences	**318**	(243)
– sale of net assets	**(75)**	—
Balance at end of the year	—	(243)
Comprising:		
Prepayments	—	(1 063)
Fixed assets	—	820
Assessed loss	—	—
	—	(243)

	2003 R000	2002 R000
10. Accounts payable		
Trade payables	—	164
Accruals and other sundry payables	—	8 425
Contract retentions	—	437
	—	9 026

11. Financial instruments

Exposure to credit risk arises in the normal course of the group's business.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

At balance sheet date there were no significant concentrations of credit risk.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

12. Related parties

12.1 Identity of related parties

The holding company of Cell C Property Company (Proprietary) Limited is Cell C (Proprietary) Limited.

The function of the company, is to manage leased property on behalf of the group. As a result, the majority of the company's transactions are with related group companies.

	2003	2002
	R000	R000
13. Notes to the cash flow statement		
13.1 Cash generated by operations		
Loss before interest and tax	**(10 878)**	(975)
Adjustments for		
– depreciation of property, plant and equipment	**11 481**	9 794
Operating profit before working capital changes	**603**	8 819
Working capital changes		
(Increase)/decrease in accounts receivable	**(134 183)**	3 294
Increase/(decrease) in accounts payable	**96 892**	(29 647)
Decrease/(increase) in loans to holding and fellow subsidiaries	**47 948**	(47 948)
Increase in loans from holding and fellow subsidiaries	**10 419**	120 482
	21 679	55 000
13.2 Tax paid		
Amounts outstanding at beginning of year	**(1 184)**	—
Income statement charge	**—**	1 184
Amount outstanding at end of year	**—**	(1 184)
	(1 184)	—
Comprising:		
Normal tax	**1 184**	1 184
14. Sale of business		
Property, plant and equipment	**77 034**	—
Accounts receivable	**144 002**	—
Deferred tax	**75**	—
Accounts payable	**(105 918)**	—
Net assets sold	**115 193**	—
Sale Price	**(120 400)**	—
Net cash acquired	**(5 207)**	—

The business of Cell C Property Company (Proprietary) Limited was sold effective 30 September 2003.

15. Prior period comparatives

The comparative figures have been restated in some cases so as to enhance disclosure.

16. Going concern

The company incurred a net loss for the year ended 31 December 2003 of R10 603 000 (2002 – R2 468 000) and as of that date its total liabilities exceeded its total assets by R10 501 000. As indicated in note 7, Cell C (Proprietary) Limited has subordinated it's right to claim or accept repayment of its loan to the company in favour of the other creditors until the assets of the company, fairly valued exceed its liabilities. Accordingly, the financial statements are prepared on the basis of accounting policies applicable to a going concern.

Cell C (Proprietary) Limited

Group Quarterly Financial Statements

for the quarter ended 30 June 2005

Cell C (Proprietary) Limited
(Reg No 1999/007722/07)

Group Quarterly Financial Statements
for the quarter ended 30 June 2005

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Cell C (Proprietary) Limited

Income statement
for the quarter ended 30 June 2005

	Note	Group 30 June 2005 R000	Group 30 June 2004 R000
Revenue	2	**1 277 000**	920 210
Other income		**241**	344
Operating expenses			
Cost of hardware sales		**(237 013)**	(203 013)
Payments to other operators	3.1	**(327 956)**	(257 498)
Commissions, incentives and cost of sales		**(268 422)**	(159 276)
Selling, general and administrative expenses	3.2	**(199 351)**	(162 944)
External services rendered	3.3	**(11 637)**	(17 068)
Employee expenses		**(107 712)**	(90 382)
Operating lease costs	3.4	**(37 440)**	(33 845)
Depreciation and amortisation	3.5	**(173 758)**	(153 650)
Operating loss	3	**(86 048)**	(157 122)
Investment income		**746**	4 329
Loss before financing and taxation		**(85 302)**	(152 793)
Finance charges	4	**(427 943)**	(47 772)
Loss before tax		**(513 245)**	(200 565)
Income tax	5	**245 145**	145 455
Loss for the quarter		**(268 100)**	(55 110)

Cell C (Proprietary) Limited

Balance sheet
at 30 June 2005

	Note	Group 30 June 2005 R000	Group 31 March 2005 R000
Assets			
Non-current assets			
Property, plant and equipment	*6*	**2 491 520**	2 528 634
Intangible assets	*7*	**792 363**	676 304
Deferred taxation	*8*	**1 141 234**	896 089
Current assets		**1 376 999**	1 460 691
Inventories	*9*	**185 662**	225 108
Accounts receivable	*10*	**969 190**	892 640
Cash and cash equivalents	*11*	**168 114**	203 675
Derivative revaluations	*17*	**54 033**	139 268
Total assets		**5 802 116**	5 561 718
Equity and liabilities			
Capital and reserves			
Ordinary share capital	*12*	**525 525**	525 525
Accumulated loss		**(3 370 352)**	(3 102 252)
		(2 844 827)	(2 576 727)
Non-current liabilities			
Interest bearing loans and borrowings	*13*	**3 616 566**	6 708 610
Current liabilities		**5 030 377**	1 429 835
Provisions	*14*	**113 227**	67 280
Accounts payable	*15*	**1 065 516**	1 038 203
Current portion of interest bearing loans and borrowings	*13*	**3 641 557**	79 363
Bank overdraft	*16*	**7 493**	—
Derivative revaluations	*17*	**202 584**	244 989
Total equity and liabilities		**5 802 116**	5 561 718

Cell C (Proprietary) Limited

Statement of changes in equity
for the quarter ended 30 June 2005

Group	Ordinary share capital	Share premium	Retained earnings	Total
	R000	R000	R000	R000
Balance at 31 March 2004	*	525 525	(2 136 052)	(1 610 527)
Net loss for the quarter			(55 110)	(55 110)
Balance at 30 June 2004	*	525 525	(2 191 162)	(1 665 637)
Balance at 31 March 2005	*	525 525	(3 102 252)	(2 576 727)
Net loss for the quarter			(268 100)	(268 100)
Balance at 30 June 2005	*	525 525	(3 370 352)	(2 844 827)

* amounts less than R1000

Cell C (Proprietary) Limited

Cash flow statement
for the quarter ended 30 June 2005

	Note	Group 30 June 2005 R000	Group 30 June 2004 R000
Cash generated/(utilised) in operations	*22.1*	**3 521**	(53 474)
Net interest paid		**(152 641)**	(104 907)
Net cash outflow from operating activities		**(149 120)**	(158 381)
Cash flows from investing activities			
Proceeds on disposal of property plant and equipment		**442**	—
Acquisition of property plant and equipment – additions		**(133 911)**	(284 399)
Net cash outflow from investing activities		**(133 469)**	(284 399)
Cash flows from financing activities			
Increase in interest bearing loans and borrowings	*22.2*	**(3 322 659)**	332 535
Increase in current portion of interest bearing loans and borrowings		**3 562 194**	4 553
Net cash inflow from financing activities		**239 535**	337 088
Net decrease in cash and cash equivalents		**(43 054)**	(105 692)
Cash and cash equivalents at the beginning of the quarter		**203 675**	439 116
Cash and cash equivalents at the end of the quarter		**160 621**	333 424

Cell C (Proprietary) Limited

Notes to the financial statements for the quarter ended 30 June 2005

1. Accounting policies

1.1 Basis of preparation

The financial statements comply with International Financial Reporting Standards (IFRS) of the International Accounting Standards Board, South African Statements of Generally Accepted Accounting Practise (SA GAAP), and the Companies Act in South Africa. The financial statements are prepared on the historical cost basis, with the exception of certain financial instruments which are measured at fair value, in conformity with IFRS and SA GAAP.

Details of the group's accounting policies are set out below, and are consistent with those applied in the previous quarter.

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Although these estimates are based on management's best knowledge of current events and actions that the group may undertake in the future, actual results may differ from those estimated.

1.2 Basis of consolidation

Investment in subsidiaries

Subsidiaries are those entities over whose financial and operating policies the group has the power to exercise control, so as to obtain benefits from their activities.

The group financial statements incorporate the assets, liabilities and results of the operations of the company and its subsidiaries. The results of subsidiaries acquired and disposed of during a financial quarter are included from the effective dates of acquisition and to the effective dates of disposal. Where necessary, the accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the group.

Investments in subsidiaries are carried at cost.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains or losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

1.3 Property, plant and equipment

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. The cost of plant and equipment acquired under contracts which include an embedded derivative is calculated at the forward rates implicit in the embedded derivative. The cost of self-constructed assets includes the cost of materials and direct labour.

Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment.

Depreciation is provided on the straight line basis, at rates considered appropriate to fully amortise the assets over the estimated useful lives.

Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that future economic benefits from the use of the asset will be increased. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Surpluses/(deficits) on the disposal of property, plant and equipment are credited/(charged) to income. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

The group expenses the costs associated with the repair and maintenance of its telecommunications network, unless these add to the value of the assets or prolong the useful lives.

1.4 Leases

Finance leases

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the group are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease, and depreciated over the estimated useful life of the asset. The capital element of future obligations under the leases is included as a liability in the balance sheet. Lease payments are allocated using the effective interest rate method to determine the lease finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor.

Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are charged against income on a straight line basis over the period of the lease.

1.5 Intangible assets

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, and expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation.

Other intangible assets acquired by the group are stated at cost less accumulated amortisation and impairment losses.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other subsequent expenditure is expensed as incurred.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets.

The difference between the net disposal proceeds and the carrying amount of an intangible asset is the gain or loss on disposal of that asset. These gains and losses are recognised in income.

Subscriber acquisition costs

Subscriber acquisition costs relating to post paid customers are capitalised and amortised over the period of the contract, not exceeding twenty four months.

Subscriber acquisition costs relating to prepaid customers are expensed as incurred.

1.6 Impairment

The carrying amounts of the group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable

amount is estimated. The recoverable amount is the higher of its net selling price and its value in use. For intangible assets that are not yet available for use, or goodwill the recoverable amount is estimated at each balance sheet date.

In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

For an asset that does not generate cash inflows that are largely independent of those from other assets the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised in the income statement whenever the carrying amount of the cash-generating unit exceeds its recoverable amount.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years.

For goodwill a recognised impairment loss is not reversed, unless the impairment loss was caused by a specific external event of an exceptional nature that is not expected to recur and the increase relates clearly to the reversal of the effect of that specific event.

1.7 Inventories

Inventories are carried at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition, and is determined using the weighted average method. Obsolete, redundant and slow moving inventories are identified on a regular basis and are written down to their estimated net realisable values.

1.8 Financial instruments

Measurement

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

Trade and other receivables

Trade and other receivables originated by the group are stated at cost less provision for doubtful debts.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at balance sheet date.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisations. Transaction costs associated with financial liabilities are included on initial recognition where appropriate. These transaction costs are amortised over the period equivalent to the period of the financial liability.

Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Derivative instruments and hedging activities

All derivatives are recognised on the balance sheet at their fair value. On the date the derivative contract is entered into the group designates the derivatives as either a hedge of the fair value of a recognised asset or liability (fair value hedge) or a hedge of a forecasted transaction (cash flow hedge). Certain derivatives transactions while providing effective economic hedges under the groups risk management policies, do not qualify for hedge accounting and are accordingly not classified as a hedge for accounting purposes. Derivative instruments are not entered into for trading or speculative purposes.

Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a fair value hedge, are recorded in the income statement along with the change in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash flow hedge, are recognised directly in equity (hedging reserve). Amounts deferred in equity are included in the income statement in the same periods during which the hedged firm commitment or forecasted transaction affects profit or loss.

Changes in the fair value of derivatives that do not qualify for the hedge accounting are recognised in the income statement. Management is satisfied that the amount provides an effective economic hedge against changes in the value of the liabilities that has been recognised through the income statement.

The group formally assess, both at hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the fair value or cash flows of hedged items.

The fair value of a publicly traded derivative is based upon quoted market values at balance sheet date.

1.9 Revenue

The group provides mobile communication services and communication related products. The group provides such services to postpaid, prepaid and community service telephone (CST) markets. Revenue represents the value of fixed consideration that has been received or is receivable. Revenue for services is stated at amounts invoiced to customers and excludes Value Added Tax.

Revenue is recognised when there is evidence of an arrangement, collectability is reasonably assured, and the delivery of the product or service has occurred. In certain circumstances revenue is split into separately identifiable components and recognised when the related components are delivered in order to reflect the substance of the transaction. The value of components is determined using verifiable objective evidence. The group does not provide customers with the right to a refund.

Traffic and value-added services

Prepaid traffic service revenue collected in advance is deferred and recognised based on actual usage or upon expiration of the usage period or whichever comes first. The terms and conditions of certain prepaid products allow carry over of unused minutes. Revenue related to the carry over of unused minutes is deferred until usage or expiration. Payphone service revenue is recognised when the service is provided. Community phone revenue collected in advance is deferred and recognised based on actual usage or upon expiration of the usage period, whichever comes first.

Interconnection revenue for call termination is recognised in the period the traffic occurs. Revenue related to on network, network to network, roaming and international call connection services is recognised when the call is placed or the connection provided. Revenue related to products and value-added services is recognised upon delivery and acceptance of the product or service.

Contract revenue

These contracts may include a subsidised handset, 24-month service, activation, SIM-card other and ancillary services.

Revenue is recognised as follows:

- the loss on the subsidised handset, which includes costs of the handset and SIM-card is capitalised in intangibles and amortised over the contract period, not exceeding twenty four months;
- activation fee revenue received from customers is recognised upon activation by the customer;
- monthly access revenue received from the customer is recognised in the period in which the service is delivered;
- airtime revenue is recognised on the usage basis;
- any other costs incurred as a result of a new customer are capitalised in intangibles and amortised over the contract period, not exceeding twenty four months.

Prepaid revenue

Airtime

Upon purchase of an airtime voucher the customer receives the right to make outgoing calls and receive incoming calls. Revenue is recognised as the customer utilises the voucher.

Remaining elements of prepaid packages

When a prepaid package is sold, all the costs, which include the cost of the SIM-card, together with the commission, are treated as a customer acquisition cost. The cost of acquisition for prepaid customers is expensed in the period in which it occurs.

Equipment sales

Revenue from the sales of communication equipment is recognised upon delivery and acceptance by the customer.

1.10 Commissions and incentives

The group pays incentives to service providers and dealers for new activations, retention of existing customers and reaching specified sales targets. Prepaid incentives are expensed as incurred. Postpaid incentives are capitalised where appropriate and amortised as subscriber acquisition costs.

1.11 Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation. Where the effect of discounting is material, provisions are discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Unearned revenue

A provision for unearned revenue is recognised when the group has sold prepaid airtime but has not yet delivered the service to the end user. The provision represents the value of the unused airtime and offsets against revenue.

Warranties

The group provides for warranties on items sold to the extent that the warranty given to the customer will exceed the manufacturers warranty.

1.12 Investment income

Interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is probable that such income will accrue to the group.

1.13 Finance costs

Interest paid on liabilities is expensed in the income statement as incurred. The cost of raising finance is capitalised and recognised over the term of the finance agreement.

1.14 Income tax

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted at the balance sheet date, and any adjustment of tax payable for previous years.

Deferred tax is provided using the balance sheet liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax is charged to the income statement except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination that is an acquisition. The effect on deferred tax of any changes in tax rates is recognised in the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1.15 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are recorded at the rate of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Gains and losses arising on translation are credited to or charged against income.

1.16 Employee benefits

Short term employee benefits

The cost of all short term employee benefits is recognised during the period in which the employee renders the related service.

The provisions for employee entitlements to wages, salaries, annual and sick leave represent the amount which the group has a present obligation to pay as a result of employees' services provided to the balance sheet date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates.

Retirement benefits

The company and its subsidiaries contribute to a defined contribution plan. Contributions to defined contribution funds are charged against income as incurred.

1.17 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, and investments in money market instruments, net of bank overdrafts, all of which are available for use by the group unless otherwise stated.

Cell C (Proprietary) Limited

Notes to the financial statements—(Continued)
for the quarter ended 30 June 2005

	Group	
	30 June 2005	**30 June 2004**
	R000	**R000**
2. Revenue		
Airtime and access	**700 717**	446 621
Data revenue	**31 601**	15 232
International roaming revenue	**6 163**	3 836
Equipment sales	**231 497**	200 119
Interconnect revenue	**307 022**	254 402
	1 277 000	920 210
3. Operating loss		
The following items have been included in arriving at operating loss –		
3.1 Payments to other operators	**327 956**	257 498
– interconnect	**214 951**	159 246
– roaming	**88 140**	98 919
– transmission links	**24 865**	(667)
3.2 Selling, general and administrative expenses	**199 351**	162 944
– marketing costs	**63 075**	86 594
– selling, general and administrative expenses	**136 276**	76 350
3.3 External services rendered	**11 637**	17 068
– consultancy services	**6 300**	12 944
– auditors remuneration		
– audit fee	**2 145**	1 924
– expenses	**676**	1 119
– legal fees	**2 516**	1 081
3.4 Operating lease costs	**37 440**	33 845
– property	**37 106**	33 220
– office equipment	**334**	625
3.5 Depreciation and amortisation	**173 758**	153 650
Depreciation of property, plant and equipment	**170 583**	150 246
– GSM network	**110 731**	80 738
– computer equipment	**12 129**	15 903
– software	**29 664**	40 118
– leasehold improvements	**9 524**	8 781
– office equipment	**724**	821
– furniture and fittings	**1 582**	1 088
– CST equipment	**5 330**	2 030
– motor vehicles – passenger	**168**	152
– motor vehicles – commercial	**731**	615
Amortisation	**3 175**	3 404
– goodwill	**—**	227
– license agreements	**3 175**	3 177

	Group	
	30 June 2005	30 June 2004
	R000	R000
4. Finance gains / (charges)		
Interest paid	**(138 423)**	(101 784)
Financing costs	**(14 964)**	(7 452)
Foreign exchange gains	**39 106**	127 946
– realised	**3 951**	23 203
– unrealised	**35 155**	104 743
Foreign exchange losses	**(313 662)**	(66 482)
– realised	**(5 062)**	(16 719)
– unrealised	**(308 600)**	(49 763)
	(427 943)	(47 772)

5. Income tax

	30 June 2005	30 June 2004
South African normal tax		
– deferred: current	**245 145**	145 455
Total tax	**245 145**	145 455
Estimated tax losses available for utilisation against future taxable income	**4 933 399**	4 097 959
Applied to create deferred tax asset	**(4 933 399)**	(4 097 959)
	—	—
Current periods charge	**245 145**	145 455
Disallowed expenditure	**(14 218)**	(26 014)
Prior period adjustment	**(82 086)**	(59 271)
Standard tax	**148 841**	60 170
	%	%
Current periods charge as a percentage of income before taxation	**47.8**	72.5
Disallowed expenditure	**(2.8)**	(13.0)
Prior period adjustment	**(16.0)**	(29.5)
Standard tax rate	**29.0**	30.0

6. Property, plant and equipment

6.1 Group

	Depreciation rate	Cost or valuation	Accumulated depreciation	Carrying amount
	%	R000	R000	R000
30 June 2005				
Owned				
Assets at cost modified due to impact of embedded derivative				
GSM Network	**14**	**2 281 977**	**880 866**	**1 401 111**
Assets at cost				
Computer equipment	**33**	**228 981**	**167 297**	**61 684**
Software	**33**	**538 813**	**431 583**	**107 230**
Leasehold improvements	**20**	**239 860**	**87 931**	**151 929**
Office equipment	**20**	**16 092**	**7 679**	**8 413**
Furniture and fittings	**10**	**56 454**	**13 640**	**42 814**
CST equipment	**20**	**111 263**	**20 700**	**90 563**
Capital work in progress	**10**	**606 281**	**—**	**606 281**
Leased				
Motor vehicles – passenger	**20**	**6 692**	**1 954**	**4 738**
Motor vehicles – commercial	**25**	**23 386**	**6 629**	**16 757**
		4 109 799	**1 618 279**	**2 491 520**
31 March 2005				
Owned				
Assets at cost modified due to impact of embedded derivative				
GSM Network	14	2 175 389	771 365	1 404 024
Assets at cost				
Computer equipment	33	226 121	155 007	71 114
Software	33	535 072	401 895	133 177
Leasehold improvements	20	231 452	78 385	153 067
Office equipment	20	16 076	7 160	8 916
Furniture and fittings	10	50 832	12 060	38 772
CST equipment	20	94 057	15 369	78 688
Capital work in progress	10	618 482	—	618 482
Leased				
Motor vehicles – passenger	20	6 692	1 786	4 906
Motor vehicles – commercial	25	23 386	5 898	17 488
		3 977 559	1 448 925	2 528 634

Cell C (Proprietary) Limited

Notes to the financial statements—(Continued)
for the quarter ended 30 June 2005

Reconciliation of carrying amount	**GSM Network**	**Computer equipment**	**Software**	**Leasehold improvements**	**Office equipment**	**Furniture and fittings**	**CST equipme**
	R000	**R000**	**R000**	**R000**	**R000**	**R000**	**R000**
Quarter ended 30 June 2005							
Carrying amount at beginning of quarter	**1 404 024**	**71 114**	**133 177**	**153 067**	**8 916**	**38 772**	**78 68**
Additions	**25 460**	**2 699**	**3 717**	**8 386**	**221**	**5 624**	**17 20**
Disposals	**(442)**	**—**	**—**	**—**	**—**	**—**	**—**
Transfers	**82 800**	**—**	**—**	**—**	**—**	**—**	**—**
Depreciation	**(110 731)**	**(12 129)**	**(29 664)**	**(9 524)**	**(724)**	**(1 582)**	**(5 33**
Carrying amount at end of quarter	**1 401 111**	**61 684**	**107 230**	**151 929**	**8 413**	**42 814**	**90 56**
Quarter ended 31 March 2005							
Carrying amount at beginning of quarter	1 395 584	75 838	152 548	151 787	9 559	36 286	74 46
Additions	—	8 469	14 102	10 145	171	3 625	8 66
Disposals	—	(12)	—	—	—	—	—
Transfers	108 445	—	—	—	—	—	—
Depreciation	(100 005)	(13 181)	(33 473)	(8 865)	(814)	(1 139)	(4 43
Carrying amount at end of quarter	1 404 024	71 114	133 177	153 067	8 916	38 772	78 68

7. Intangible assets

Group	Amortisation period	Cost or valuation	Accumulated amortisation	Carrying amount
	(years)	R000	R000	R000
30 June 2005				
Purchased intangible assets				
– Subscriber acquisition costs	**2**	**1 690 011**	**(1 037 366)**	**652 645**
– Fixed telecommunications license	**15**	**100 000**	**(26 667)**	**73 333**
– Licence acquisition costs	**15**	**90 526**	**(24 141)**	**66 385**
		1 880 537	**(1 088 174)**	**792 363**
31 March 2005				
Purchased intangible assets				
– Subscriber acquisition costs	2	1 443 133	(909 723)	533 410
– Fixed telecommunications license	15	100 000	(25 000)	75 000
– Licence acquisition costs	15	90 526	(22 632)	67 894
		1 633 659	(957 355)	676 304

Reconciliation of carrying amounts

Group	Subscriber acquisition costs	Fixed telecomm licence	Licence acquisition costs	Total
	R000	R000	R000	R000
30 June 2005				
Carrying amount at beginning of quarter	**533 410**	**75 000**	**67 894**	**676 304**
Additions	**246 878**	**—**	**—**	**246 878**
Amortisation	**(127 643)**	**(1 667)**	**(1 509)**	**(130 819)**
Carrying amount at end of quarter	**652 645**	**73 333**	**66 385**	**792 363**
31 March 2005				
Carrying amount at beginning of quarter	505 296	76 667	69 403	651 366
Additions	168 328	—	—	168 328
Amortisation	(140 214)	(1 667)	(1 509)	(143 390)
Carrying amount at end of quarter	533 410	75 000	67 894	676 304

	Group	
	30 June 2005	31 March 2005
	R000	R000
8. Deferred taxation		
Balance at beginning of quarter	**896 089**	896 089
Current period movement	**245 145**	—
– tax loss	**254 511**	—
– temporary differences	**(9 366)**	—
Balance at end of quarter	**1 141 234**	896 089
Comprising –		
– fixed assets	**(55 828)**	(16 056)
– tax losses	**1 430 686**	1 176 169
– provisions	**69 838**	57 351
– subscriber acquisition costs	**(186 973)**	(147 699)
– prepayments	**(6 662)**	(9 980)
– foreign exchange	**(109 827)**	(163 696)
	1 141 234	896 089

The deferred tax asset represents the tax benefit to be utilised to off-set future tax liabilities.

	30 June 2005	31 March 2005
9. Inventories		
Merchandise	**191 822**	232 572
Provision for obsolescence	**(6 160)**	(7 464)
	185 662	225 108
10. Accounts receivable		
Included in accounts receivable are the following –		
Trade receivables	**862 240**	784 793
Prepayments and other sundry debtors	**70 987**	83 800
Advances paid to suppliers	**46 422**	44 656
Provision for doubtful debts and credit notes	**(10 459)**	(20 609)
	969 190	892 640
11. Cash and cash equivalents		
Cash at bank and on hand	**—**	47 373
DSRA	**168 114**	156 302
	168 114	203 675

The DSRA balance has been pledged in favour of the secured long-term lenders of the company.

	30 June 2005	31 March 2005
12. Ordinary share capital		
Authorised		
1000 (March – 1000) ordinary shares of R1 each	**1**	1
Issued		
200 (March – 200) ordinary shares of R1 each	*****	*
Share premium	**525 525**	525 525
	525 525	525 525

* amounts less than R1 000.

The unissued shares of the company are under the control of the directors.

	Group	
	30 June 2005	31 March 2005
	R000	R000
13. Interest bearing loans and borrowings		
Unsecured loans		
3C Telecommunications (Proprietary) Limited *		
Comprises loans of $138 249 521 (March: $135 790 329) bearing interest at LIBOR + 2% (March: LIBOR + 2%) with no fixed terms of repayment.	**921 961**	843 444
Saudi Oger Limited	**3 618 067**	3 385 426
Junior facility *		
Loan of $195 123 761 (March: $192 744 633) bearing interest at LIBOR + 1.75% (March: LIBOR + 1.75%), the loan is repayable on 31 December 2012	**1 301 245**	1 197 207
Shareholder loan 2*		
Loan of $48 068 479 (March: $47 652 302) bearing interest at LIBOR + 2% (March: LIBOR + 2%) with no fixed terms of repayment	**320 559**	295 986
SOLF		
Loan bearing interest at JIBAR + 2.5% (March: JIBAR + 2.5%), the loan is repayable in 2008.	**1 997 406**	1 893 573
Current account		
Loan of $171 395 (March: $215 734) bearing interest at LIBOR + 2% (March: LIBOR + 2%), with no fixed terms of repayment	**(1 143)**	(1 340)
Loan from CellSaf (Pty) Ltd*		
Loan bearing interest at LIBOR + 2% (March: LIBOR + 2%) with no fixed terms of repayment	**739 785**	730 316
The above unsecured loans indicated with an * have been subordinated by the shareholders in favour of other creditors.		
Siemens vendor trade credit finance (fronting bank Deutsche Bank Luxemborg)		
Loan bearing interest at JIBAR + 2.5% (March: JIBAR + 2.5%), drawdown period of two years and repayable in 4 equal quarterly instalments after drawdown.	**207 542**	204 378
Secured loans		
SACE facility		
Loan of $63 516 900 (March: $61 658 470) bearing interest at LIBOR + 2% (March: LIBOR + 2%)	**423 581**	382 983
Hermes facility		
Loan of $71 740 102 (March: $62 366 211) bearing interest at LIBOR + 2% (March: LIBOR + 2%)	**478 420**	387 379
The SACE and Hermes loans have a combined drawdown facility of $165 million. 60% of the facility has been hedged via a cross currency basis swap at an exchange rate of R8.4454: $1. The cross currency swap matures on the 31 December 2011. Interest is accrued monthly and settled half yearly.		
Carried forward	**6 389 356**	5 933 926

	Group	
	30 June 2005	**31 March 2005**
	R000	**R000**
Brought forward	**6 389 356**	5 933 926
Revolving credit facility		
ZAR		
The rand loan bears interest at JIBAR + 2% (March: JIBAR + 2%). Interest is accrued monthly and settled half yearly.	**102 101**	104 838
USD		
Loan of $19 024 390 (March: $19 251 494) bearing interest at LIBOR + 2% (March: LIBOR + 2%). Interest is accrued monthly and settled half yearly.	**126 870**	119 578
Development Bank of South Africa		
Rand loan bearing interest at JIBAR + 4.75% (March: JIBAR + 4.75%).	**300 000**	300 000
Industrial Development Corporation		
Rand loan bearing interest at JIBAR + 4.75% (March: JIBAR + 4.75%). Interest is accrued monthly and settled quarterly.	**300 000**	300 000
The above secured loans are secured by the shares and assets of the group and are governed by a Common Terms Agreement.		
The principle on these loans is repayable from December 2006 to December 2011.		
ICASA		
Loan in respect of the Fixed Telecommunications Licence, bearing interest at prime rate and repayable over the period of the licence (15 years). Repayments commenced in 2004.	**163 085**	158 847
The loan is secured by the telecommunications licence.		
Capitalised finance costs		
The costs of raising finance have been capitalised and amortised over the loan period.	**(144 599)**	(151 534)
Amortisation is reflected as interest expense in the income statement.		
Carried forward	**7 236 813**	6 765 655

	Group	
	30 June 2005	31 March 2005
	R000	R000
Brought forward	**7 236 813**	6 765 655
Finance leases		
Finance lease obligations capitalised at an effective rate of prime minus 2%. (March: prime minus 2%) The leases are repayable over a period of two to forty one months. These liabilities are secured by lease agreements over assets with a net book value of R21.5 million (March: R22.4 million) (see note 6). Monthly repayments are R630 932 (March: R 663 081).	**21 310**	22 318
	7 258 123	6 787 973
Current portion included in accounts payable	**(3 641 557)**	(79 363)
Finance leases	**(3 560)**	(3 849)
Settlement of long term liabilities through high yield bond proceeds. (Refer note 24)	**(3 558 246)**	—
ICASA	**(79 751)**	(75 514)
Long term liabilities	**3 616 566**	6 708 610
Reconciliation of finance leases		
Total minimum lease payments	**8 605**	10 377
Less: finance charges	**(2 415)**	(3 094)
Present value of lease obligation	**6 190**	7 283

	Total Minimum lease payment		Present Value at Balance sheet date of lease payment	
	30 June 2005	31 March 2005	30 June 2005	31 March 2005
	R000	R000	R000	R000
Not later than 1 year	**5 035**	5 617	**3 560**	3 849
Between 1 and 5 years	**3 570**	4 760	**2 630**	3 434
	8 605	10 377	**6 190**	7 283

14. Provisions

	Balance brought forward	Net Movement on provision	Closing balance
	R000	R000	R000
30 June 2005			
Unearned revenue	**67 280**	**45 947**	**113 227**
31 March 2005			
Unearned revenue	65 116	2 164	67 280

	Group 30 June 2005	31 March 2005
	R000	R000
15. Accounts payable		
Trade payables	**613,855**	627,071
Accruals and other sundry payables	**429,312**	393,160
Contract retentions	**22,349**	17,972
	1,065,516	1,038,203
16. Bank overdraft		
Cash on hand and at bank	**7,493**	—
	7,493	—
17. Derivative revaluations		
Hedge mark to market	**201,890**	244,989
FEC mark to market	**694**	—
	202,584	244,989
	(54,033)	(139,268)
Embedded derivative mark to market	**(54,033)**	(137,491)
FEC mark to market	**—**	(1,777)
	148,551	105,721
18. Capital and lease commitments		
Authorised		
– contracted for	**1,019,885**	1,107,021
The proposed capital expenditure will be financed by additional long term external finance to be raised in the market.		
Future operating lease charges for premises, office equipment and GSM network capacity.		
– payable within one year	**485,525**	483,979
– payable between 1 and 5 years	**1,700,243**	1,691,218
– payable after 5 years	**803,067**	803,067
	2,988,835	2,978,264
19. Employee benefits		
The group provides retirement benefits for all its permanent employees through a funded defined contribution pension scheme that is subject to the Pension Funds Act, 1956 as amended.		
Contributions	**5,866**	5,855
Number of employees	**1,273**	1,348

20. Financial instruments

Exposure to currency, interest rate and credit risk arises in the normal course of the group's business. Unless otherwise stated, the carrying amount of financial instruments approximates the fair value.

20.1 Financial risk management

The group is exposed to currency risk, interest rate risk and credit risk. Interest risk and currency risk are managed by a treasury committee in accordance with the groups hedging policy. This hedging policy focuses on the unpredictability of financial markets and seeks to minimise adverse effects on financial performance and reduce the volatility of earnings. Management has implemented a credit policy and the group's exposure to credit risk is monitored on an on going basis by operating divisions and the finance department.

20.2 Currency risk

The group incurs currency risk as a result of purchases and borrowings in foreign currencies. The currencies in which the group primarily deals are Euros and US Dollars. To the extent possible, receipts in foreign currency are used to settle foreign liabilities. Forward exchange contracts are entered into on a case-by-case basis to offset the foreign currency risk of orders denominated in a foreign currency.

Hedging of foreign borrowings is assessed on an ongoing basis and hedges are implemented in accordance with currency views and the group's hedging policy. Certain foreign borrowings required hedging of the foreign exchange risks as a special condition of such loans and in these cases hedges are implemented prior to drawdown dates.

20.3 Interest rate risk

The group has generally adopted a policy of ensuring that its exposure to changes in interest rates is on a floating rate basis. In the future the group will evaluate its exposure to fixed and floating rate debt and enter into hedges with a view to reducing volatility in interest rate payments.

20.4 Credit risk

Credit evaluations are performed on all customers requiring credit over a certain amount. Reputable financial institutions are used for investing and cash handling purposes.

At balance sheet date there were no significant concentrations of credit risk.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

21. Related parties

21.1 Identity of related parties

The holding company of Cell C (Proprietary) Limited is 3C Telecommunications (Proprietary) Limited which holds 100% (March—100%) of the company's ordinary shares.

CellSAf (Proprietary) Limited holds 40% of the shares of 3C Telecommunications. (Refer note 25)

The group traded with the following related parties during the quarter.

- Kunene Bros. (Proprietary) Limited
- Oger Telecom (South Africa) (Proprietary) Limited
- ATOS Origin (Schlumberger Sema)
- Desert Charm t/a Activate
- Customised Business Solutions

21.2 Material related party transactions

Material transactions with the group

Loans to and from related parties—see note 13

Interest received on loans to related parties—see note 13

21. Related parties (continued)

Material transactions with related party companies	June 2005		March 2005	
	Transactions	Balance owing	Transactions	Balance owing
	R000	R000	R000	R000
– Kunene Bros. (Proprietary) Limited	**43**	**—**	43	—
– Oger Telecom (South Africa) (Proprietary) Limited	**5,515**	**4,657**	6,640	2,877
– Desert Charm t/a Activate	**—**	**—**	602	—
– Customised Business Solutions	**—**	**113**	—	113
– ATOS Origin (Schlumberger Sema)	**4,492**	**2,103**	1,853	—

All transactions with related party companies are trade related.

22. Notes to cash flow statement

22.1 Cash utilised in operations

	Group 30 June 2005	30 June 2004
	R000	R000
Operating loss	**(86,048)**	(157,122)
Adjustments for –		
Depreciation and amortisation	**173,758**	153,650
Subscriber acquisition costs incured	**(246,878)**	(166,345)
Amortisation of subscriber acquisition costs	**127,643**	120,293
Realised foreign exchange gains	**3,951**	23,203
Realised foreign exchange losses	**(5,062)**	(16,719)
Operating loss before working capital changes	**(32,636)**	(43,040)
Decrease in inventories	**39,446**	28,051
Increase in accounts receivable	**(76,550)**	(973)
Decrease in accounts payable	**27,314**	(37,667)
Increase in provisions	**45,947**	155
	3,521	(53,474)

22.2 Increase in interest bearing loans and borrowings

	Group 30 June 2005	30 June 2004
Increase in interest bearing loans and borrowings	**(3,092,044)**	271,929
Adjusted for –		
Derivative revaluation	**42,830**	5,626
Unrealised foreign exchange gains	**35,155**	104,743
Unrealised foreign exchange losses	**(308,600)**	(49,763)
	(3,322,659)	332,535

23. Contingent liabilities

Mobile Telephone Network Limited (MTN) has brought legal action against Cell C (Proprietary) Limited, relating to a dispute on the community services telephone interconnect charges payable to MTN.

The group has accrued for the liability that it believes is owed in terms of the agreement. The unprovided portion amounts to R244 631 509. The group has been advised that the claim by MTN is unlikely to be successful and accordingly no provision has been made for the disputed amount.

24. Post balance sheet event

On the 29th June 2005, Cell C launched its first High Yield Bond offering, the proceeds of which were received on 13th July 2005. This was in the form of Senior Secured Bonds of Euro 400 million (ZAR 3.2 billion).

Cell C (Proprietary) Limited

Notes to the financial statements—(Continued)
for the quarter ended 30 June 2005

These bonds earn interest at a rate of 8.625%, which is payable semi annually on 1 January and 1 July. The bonds are repayable on 1 July 2012.

Following this, Cell C issued its second High Yield Bond offering, the proceeds of which were received on 13th July 2005. This was in the form of Senior Subordinated Bonds of $270 million (ZAR 1.844 billion).

These bonds earn interest at a rate of 11%, which is payable semi annually on 1 January and 1 July. The bonds are repayable on 1 July 2015.

The High Yield Bond issue will mainly be used to optimally restructure Cell C's financing by fully repaying the company's existing senior debt and a portion of its shareholder loans.

Cell C (Proprietary) Limited
Pro-Forma Balance sheet

	After HYB June 2005	Prior to HYB June 2005	31 March 2005
	R000	R000	R000
Assets			
Non-current assets			
Property, plant and equipment	**2,491,520**	2,491,520	2,528,634
Intangible assets	**792,363**	792,363	676,304
Deferred taxation	**1,141,234**	1,141,234	896,089
Current assets	**2,783,525**	1,376,999	1,460,691
Inventories	**185,662**	185,662	225,108
Accounts receivable	**969,190**	969,190	892,640
Cash and cash equivalents as at 30 June 2005	**168,114**	168,114	203,675
Net cash retained from high yield bond	**1,406,526**	—	—
Derivative revaluations	**54,033**	54,033	139,268
Total assets	**7,208,642**	5,802,116	5,561,718
Equity and liabilities			
Capital and reserves			
Ordinary share capital	**525,525**	525,525	525,525
Accumulated loss	**(3,370,352)**	(3,370,352)	(3,102,252)
	(2,844,827)	(2,844,827)	(2,576,727)
Non-current liabilities	**8,581,338**	3,616,566	6,708,610
Interest bearing loans and borrowings	**3,616,566**	3,616,566	6,708,610
High yield bonds	**4,964,772**	—	—
Current liabilities	**1,472,131**	5,030,377	1,429,835
Provisions	**113,227**	113,227	67,280
Accounts payable	**1,065,516**	1,065,516	1,038,203
Current portion of interest bearing loans and borrowings	**83,311**	3,641,557	79,363
Bank overdraft	**7,493**	7,493	—
Derivative revaluations	**202,584**	202,584	244,989
Total equity and liabilities	**7,208,642**	5,802,116	5,561,718

25. Post balance sheet event

CellSAf (Proprietary) Limited, a shareholder of 3 C Telecomunication (Proprietary) Limited sold a percentage of its shares to Lanun Securities SA. The effective date of the transaction is 26th July 2005 and the resulting shareholding of C Telecomunications (Pty) Ltd is as follows –

Oger Telecom (South Africa) Proprietary Limited—60% of 3 C Telecomunications (Pty) Ltd
CellSAf (Proprietary) Limited—25% of 3 C Telecomunications (Pty) Ltd
Lanun Securities SA—15% of 3 C Telecomunications (Pty) Ltd

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Cell C (Pty) Limited

(Registration No. 1999/007722/07)

$270,000,000
11% Senior Subordinated Notes due 2015

The Senior Subordinated Notes will be guaranteed by all of the Issuer's Subsidiaries

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PROSPECTUS

November 15, 2005

Citigroup