NET 1 UEPS TECHNOLOGIES INC
Form 10-Q
November 08, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended **September 30, 2006**

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934
For the transition period from ____________________ To ____________________

Commission file number: **000-31203**

NET 1 UEPS TECHNOLOGIES, INC.
(Exact name of registrant as specified in its charter)

Florida	**98-0171860**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

President Place, 4th Floor, Cnr. Jan Smuts Avenue and Bolton Road
Rosebank, Johannesburg, South Africa
(Address of principal executive offices, including zip code)

Registrant s telephone number, including area code**: 27-11-343-2000**

Not Applicable
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
YES [X] NO [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act (check one):
[X] Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES [ ] NO [X]

As of October 19, 2006 (the latest practicable date), 50,429,385 shares of the registrant s common stock, par value $0.001 per share, and 6,499,259 shares of the registrant s special convertible preferred stock, par value $0.001 per share, which are convertible into common stock on a one-for-one basis, were outstanding.

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NET 1 UEPS TECHNOLOGIES, INC.

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Part I. Financial Information

Item 1. Financial Statements

NET 1 UEPS TECHNOLOGIES, INC.
Condensed Consolidated Balance Sheets

	Unaudited September 30, 2006	Audited June 30, 2006
	(In thousands, except share data)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 102,133	$ 189,735
Pre-funded social welfare grants receivable	26,639	17,223
Accounts receivable, net of allowances of September: $758; June: $159	25,332	21,219
Finance loans receivable, net of allowances of September: $3,551; June: $3,448	5,998	6,713
Deferred expenditure on smart cards	583	656
Inventory	5,631	1,935
Deferred income taxes	5,180	3,237
Total current assets	171,496	240,718
LONG TERM RECEIVABLE	887	946
PROPERTY, PLANT AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION OF September: $22,819; June: $16,543	7,111	3,757
EQUITY ACCOUNTED INVESTMENTS	4,782	4,986
GOODWILL	73,446	13,923
INTANGIBLE ASSETS, NET OF ACCUMULATED AMORTIZATION OF September: $7,902; June: $6,549	29,915	5,649
TOTAL ASSETS	287,637	269,979
LIABILITIES		
CURRENT LIABILITIES		
Bank overdraft	-	20
Accounts payable	5,125	2,073
Other payables	30,091	28,575
Income taxes payable	9,980	12,455
Total current liabilities	45,196	43,123
DEFFERRED INCOME TAXES	28,081	17,846
TOTAL LIABILITIES	74,073	60,969
MINORITY INTEREST	796	-
SHAREHOLDERS EQUITY		
COMMON STOCK		
Authorized: 83,333,333 with $0.001 par value;		
Issued and outstanding shares - September: 50,383,531; June: 49,596,879	51	50
SPECIAL CONVERTIBLE PREFERRED STOCK		
Authorized: 50,000,000 with $0.001 par value;		
Issued and outstanding shares - September: 6,545,113; June: 7,315,099	6	7
B CLASS PREFERENCE SHARES		
Authorized: 330,000,000 with $0.001 par value;		

Issued and outstanding shares (net of shares held by the Company) - September: 48,227,172; June: 53,900,752		8		9
ADDITIONAL PAID-IN-CAPITAL		105,815		105,792
TREASURY SHARES ISSUED: September: 147,973; June: 147,973		(3,958)		(3,958)
ACCUMULATED OTHER COMPREHENSIVE INCOME		(20,303)		(9,763)
RETAINED EARNINGS		131,945		116,873
TOTAL SHAREHOLDERS EQUITY		213,564		209,010
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$	287,637	$	269,979

See Notes to Unaudited Condensed Consolidated Financial Statements

NET 1 UEPS TECHNOLOGIES, INC.
Unaudited Condensed Consolidated Statements of Operations

	Three months ended September 30, 2006	2005
	(In thousands, except share data)	
REVENUE	$ 52,926	$ 45,887
EXPENSE		
COST OF GOODS SOLD, IT PROCESSING, SERVICING AND SUPPORT	13,319	11,819
GENERAL AND ADMINISTRATION	13,485	10,656
DEPRECIATION AND AMORTIZATION	2,947	1,538
COSTS RELATED TO PUBLIC OFFERING AND NASDAQ LISTING	-	1,477
OPERATING INCOME	23,175	20,397
INTEREST INCOME, net	872	903
INCOME BEFORE INCOME TAXES	24,047	21,300
INCOME TAX EXPENSE	8,840	8,411
NET INCOME FROM CONTINUING OPERATIONS BEFORE MINORITY INTEREST AND EARNINGS FROM EQUITY ACCOUNTED INVESTMENTS	15,207	12,889
MINORITY INTEREST	205	-
EARNINGS FROM EQUITY ACCOUNTED INVESTMENTS	70	290
NET INCOME	$ 15,072	$ 13,179
Net income per share		
Basic earnings, in cents common stock and linked units	26.5	23.8
Diluted earnings, in cents common stock and linked units	26.2	23.5

See Notes to Unaudited Condensed Consolidated Financial Statements

NET 1 UEPS TECHNOLOGIES, INC.
Unaudited Condensed Consolidated Statements of Cash Flows

	Three months ended September 30, 2006	2005
	(In thousands)	
Cash flows from operating activities		
Net income	$ 15,072	$ 13,179
Depreciation and amortization	2,947	1,538
Earnings from equity accounted investments	(70)	(290)
Fair value adjustment related to financial liabilities	2	3
Fair value of FAS 133 derivative adjustments	-	147
(Profit) Loss on disposal of property, plant and equipment	(34)	7
Minority interest	205	-
Stock compensation benefit	(28)	-
Increase in accounts receivable, pre-funded social welfare grants receivable and finance loans receivable	(9,029)	(7,653)
Decrease in deferred expenditure on smart cards	43	1,019
(Increase) Decrease in inventory	(2,579)	63
(Decrease) Increase in accounts payable and other payables	(7,291)	3,126
Decrease in taxes payable	(2,866)	(3,587)
Increase in deferred taxes	2,100	1,671
Net cash (used in) provided by operating activities	(1,528)	9,223
Cash flows from investing activities		
Capital expenditures	(843)	(542)
Proceeds from disposal of property, plant and equipment	118	4
Acquisition of Prism Holdings Limited, net of cash acquired	(82,106)	-
Acquisition of equity interest in and advance of loans to equity accounted investment	-	(1,851)
Net cash used in investing activities	(82,831)	(2,389)
Cash flows from financing activities		
Proceeds from issue of share capital, net of share issue expenses	50	32,219
Proceeds from bank overdrafts	18,173	-
Repayment of bank overdraft	(17,056)	-
Net cash provided by financing activities	1,167	32,219
Effect of exchange rate changes on cash	(4,410)	5,399
Net (decrease) increase in cash and cash equivalents	(87,602)	44,452
Cash and cash equivalents beginning of period	189,735	107,749
Cash and cash equivalents at end of period	$ 102,133	$ 152,201

See Notes to Unaudited Condensed Consolidated Financial Statements

NET 1 UEPS TECHNOLOGIES, INC.
Notes to the Unaudited Condensed Consolidated Financial Statements
for the three months ended September 30, 2006 and 2005
(All amounts stated in thousands of United States Dollars, unless otherwise stated)

1. Basis of Presentation and Summary of Significant Accounting Policies

Unaudited Interim Financial Information

On June 7, 2004, the Company completed a transaction, which is more fully described in the Company s Annual Report on Form 10-K for the year ended June 30, 2006, in which the former shareholders of Net1 Applied Technology Holdings Limited (Aplitec), acquired a majority voting interest in the Company. In accordance with U.S. generally accepted accounting principles (GAAP), the Company accounted for the Aplitec transaction as a reverse acquisition, which requires that the company whose shareholders retain a majority voting interest in a combined business be treated as the acquiror for accounting purposes. References to the Company refer to Net1 and its consolidated subsidiaries, including Aplitec, unless the context otherwise requires. References to Net1 are references solely to Net 1 UEPS Technologies, Inc.

The accompanying unaudited condensed consolidated financial statements include all majority owned subsidiaries over which the Company exercises control and have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission for Quarterly Results on Form 10-Q and include all of the information and disclosures required by GAAP for interim financial reporting. The results of operations for the three months ended September 30, 2006 and 2005 are not necessarily indicative of the results for the full year. The Company believes that the disclosures are adequate to make the information presented not misleading.

These financial statements should be read in conjunction with the financial statements, accounting policies and financial notes thereto included in the Company s Annual Report on Form 10-K for the fiscal year ended June 30, 2006. In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments (consisting only of normal recurring adjustments), which are necessary for a fair representation of financial results for the interim periods presented.

Translation of foreign currencies

The functional currency of the Company is the South African rand, or ZAR, and its reporting currency is the U.S. dollar. The current rate method is used to translate the financial statements of the Company to U.S. dollars. Under the current rate method, assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Revenues and expenses are translated at average rates for the period. Translation gains and losses are reported in accumulated other comprehensive income in shareholders equity.

Foreign exchange transactions are translated at the spot rate ruling at the date of the transaction. Monetary items are translated at the closing spot rate at the balance sheet date. Transactional gains and losses are recognized in income for the period.

Recent accounting pronouncements adopted

In April 2006, the Financial Accounting Standard Board (FASB) issued FASB Staff Position (FSP) No. FIN No. 46(R)-6, *Determining the Variability to be Considered in Applying FASB Interpretation No. 46(R)* (FSP FIN 46(R)-6). FSP FIN 46(R)-6 introduces the by-design approach to determine the variability to consider when applying FASB Interpretation No. 46(R) *Consolidation of Variable Interest Entities - an Interpretation of ARB No. 51* (FIN 46(R)). FSP FIN 46(R)-6 requires an analysis of the design of the entity in determining the variability to be considered in applying FIN 46(R), and provides the following two steps:

- Analyze the nature of the risks in the entity; and
- Determine the purpose(s) for which the entity was created and determine the variability (created by the risks identified in step 1) the entity is designed to create and pass along to interest holders.

FSP FIN 46(R)-6 should be applied prospectively to all entities (including newly created entities) with which an enterprise first becomes involved, and to all entities previously required to be analyzed under FIN 46(R) when a reconsideration event has occurred beginning the first day of the first reporting period beginning after June 15, 2006. The adoption of FSP FIN 46(R)-6 by the Company did not have an impact on its overall results of operations, financial position or cash flows.

1. Basis of Presentation and Summary of Significant Accounting Policies (continued)

R*ecent accounting pronouncements not yet adopted as of September 30, 2006 (continued)*

In September 2006, the FASB issued FASB Statement No. 157, *Fair Value Measurements* (FAS 157), which enhances existing guidance for measuring assets and liabilities using fair value. Prior to FAS 157 s issuance, guidance for applying fair value was incorporated in several accounting pronouncements. FAS 157 provides a single definition of fair value, together with a framework for measuring it, and requires additional disclosure about the use of fair value to measure assets and liabilities. It also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Under FAS 157, fair value measurements are disclosed by level within that hierarchy. While the statement does not add any new fair value measurements, it does change current practice. Changes to practice include:

- A requirement for an entity to include its own credit standing in the measurement of its liabilities;
- A modification of the transaction price presumption;
- A prohibition on the use of block discounts when valuing large blocks of securities for broker-dealers and investment companies; and
- A requirement to adjust the value of restricted stock for the effect of the restriction even if the restriction lapses within one year.

FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Earlier adoption is permitted. The Company has not assessed the impact of the adoption of FAS 157 on its overall results of operations, financial position or cash flows.

In September 2006, FASB issued FASB Statement No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106, and 132(R)* (FAS 158). Certain provisions of FAS 158 become effective for fiscal years ending after December 15, 2006, for entities with publicly traded equity securities. For all other entities, those provisions are effective for fiscal years ending after June 15, 2007. FAS 158 requires a calendar year-end company with publicly traded equity securities that sponsors a postretirement benefit plan to fully recognize, as an asset or liability, the overfunded or underfunded status of its benefit plan(s) in its 2006 year-end balance sheet. The funded status is measured as the difference between the fair value of the plan s assets and its benefit obligation. FAS 158 defines a company with publicly traded equity securities as follows:

- An entity that has equity securities trading in a public market, which may be either a stock exchange (domestic or foreign) or an over-the-counter market, including securities quoted only locally or regionally;
- An entity that has made or is making a filing with a regulatory agency in preparation for the sale of any class of equity securities in a public market; or
- An entity controlled by an entity covered by either of the previous two definitions. It does not include obligors for conduit debt securities as described in proposed FSP FAS 126-a.2.

FAS 158 retains the Exposure Draft s basis for measuring the benefit obligation as the projected benefit obligation for pension plans and the accumulated postretirement benefit obligation for other postretirement benefit plans, but has provided some relief in terms of transition. During re-deliberations, the FASB reconsidered its original conclusions regarding transition for the recognition provision that would have required retrospective application. FAS 158 now requires prospective application.

FAS 158 also requires a company to measure its plan assets and benefit obligations as of its year-end balance sheet date. Currently, an entity is permitted to choose a measurement date up to three months prior to its year end to measure the plan assets and obligations. The provision to require measurement at the entity s year-end balance sheet date will be effective for fiscal years ending after December 15, 2008. Paragraph 5 of FAS 158 provides two exceptions to the measurement date provision. Those two situations, and the way in which the measurement date is affected, are as follows:

- When a subsidiary is the plan sponsor and is consolidated using a different fiscal period than its parent, the parent should measure the subsidiary s postretirement benefit plan assets and benefit obligations as of the same date used to consolidate the subsidiary; and
- When the plan is sponsored by an equity method investee and the financial statements of the equity method investee are not available timely for the investor to apply the equity method currently, the investor should measure the investee s plan assets and benefit obligations as of the same date of the investee s financial statements used to apply the equity method.

The adoption of FAS 158 by the Company is not expected to have an impact on its overall results of operations, financial position or cash flows.

1. Basis of Presentation and Summary of Significant Accounting Policies (continued)

Recent accounting pronouncements not yet adopted as of September 30, 2006 (continued)

In October 2006, FASB issued FSP No. FAS 123(R)-5, *Amendment of FASB Staff Position FAS 123(R)-1* (FSP FAS 123(R)-1). FSP FAS 123(R)-1 addresses whether a modification of an instrument in connection with an equity restructuring should be considered a modification for purposes of applying FSP FAS 123(R)-1, *Classification and Measurement of Freestanding Financial Instruments Originally Issued in Exchange for Employee Services under FASB Statement No. 123(R).*

FASB concluded that for instruments that were originally issued as employee compensation and then modified, and that modification is made to the terms of the instrument solely to reflect an equity restructuring that occurs when the holders are no longer employees, no change in the recognition or the measurement (due to a change in classification) of those instruments will result if both of the following conditions are met:

- There is no increase in fair value of the award (or the ratio of intrinsic value to the exercise price of the award is preserved, that is, the holder is made whole), or the antidilution provision is not added to the terms of the award in contemplation of an equity restructuring; and
- All holders of the same class of equity instruments (for example, stock options) are treated in the same manner.

The provisions of FSP FAS 123(R)-1 shall be applied from October 1, 2006, which is the first reporting period beginning after the date FSP FAS 123(R)-1 was posted to the FASB website.

In October 2006, FASB issued FSP No. FAS 123(R)-6, *Technical Corrections of FASB Statement No. 123(R)*, (FSP FAS 123(R)-6). FSP FAS 123(R)-6 addresses certain technical corrections of FASB Statement No. 123 (revised 2004), *Share-Based Payment*. Specifically, it amends:

- paragraph A240(d)(1) to exempt nonpublic entities from disclosing the aggregate intrinsic value of outstanding fully vested share options (or share units) and share options expected to vest;
- paragraph A102 of Illustration 4(b) to revise the computation of the minimum compensation cost that must be recognized to comply with paragraph 42 of Statement 123(R); paragraph A170 of Illustration 13(e) to indicate that at the date that the illustrative awards were no longer probable of vesting, any previously recognized compensation cost should have been reversed; and
- paragraph E1 to amend the definition of short-term inducement to exclude an offer to settle an award.

The provisions of FSP FAS 123(R)-6 shall be applied from October 1, 2006, which is the first reporting period beginning after the date FSP FAS 123(R)-6 was posted to the FASB website. The adoption of FSP FAS 123(R)-6 by the Company is not expected to have an impact on its overall results of operations, financial position or cash flows.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Current Year Misstatements* (SAB 108). SAB 108 requires analysis of misstatements using both an income statement (rollover) approach and a balance sheet (iron curtain) approach in assessing materiality and provides for a one-time cumulative effect transition adjustment. SAB 108 is effective for the Company s consolidated financial statements for the year ended June 30, 2007. The Company has not assessed the impact of the adoption of SAB 108 on its overall results of operations, financial position or cash flows.

2. Acquisition of Prism

On July 3, 2006, the Company acquired the entire issued and outstanding share capital of Prism for ZAR1.16 per share (approximately $0.16, at the USD:ZAR exchange rate as of July 3, 2006) for a total consideration of $95.2 million which was paid in cash. On September 13, 2006, the Company reported the pro-forma effects of the transaction on an amended Form 8-K with the SEC.

Prism is a company focused on the development and provision of secure transaction technology, solutions and services. Prism s core competencies around secure online transaction processing, cryptography and integrated circuit card (chip/smart card) technologies are principally applied to electronic commerce transactions in the telecommunications, banking, retail, petroleum and utilities market sectors. These technologies form the cornerstones of what Prism calls the trusted transactions environment and provide Prism with the building blocks for developing secure end-to-end payment solutions.

2. Acquisition of Prism (continued)

The Company acquired Prism because it fits in well within its strategy, particularly in South Africa. Prism owns a 74.9% interest in EasyPay (Proprietary) Limited (EasyPay), the largest bank-independent financial switch, or transaction processor, in South Africa. During fiscal 2006, EasyPay processed approximately 358 million transactions on behalf of retailers, bill issuers and financial institutions. The bulk of these transactions were acquired through a base of around 50,000 customer owned terminals, the majority of which are installed at all the retail locations of South Africa s two largest retailers, who have approximately 65% of the South African retail market share between them. Prism has also developed a core competency in mobile communications and licenses its intellectual property to manufacturers of Global System for Mobile Communication (GSM) Subscriber Identity Module (SIM) cards and mobile operators.

Prism has developed a number of innovative payment technologies for mobile phones including Virtual Top-up (VTU) that enables individuals to purchase any amount of mobile airtime and resell this airtime from their phones to other mobile phones without the need for additional authorization codes or physical vouchers. The addition of customers that engage Prism to provide switching services may extend the Company s merchant acquiring footprint in South Africa from the deep rural areas, where it is active today, to the urban environment. The Company intends to upgrade the 50,000 terminals that form part of Prism s network to accommodate its biometric-based UEPS technology, which will significantly enhance its wage payment program once it launches that service. The Company will also be able to capitalize on the convergence of technologies such as the mobile phone, UEPS and banking whereby it will be able to provide transacting and financial services to all segments of the population, regardless of their financial status or place of residence. In addition, the Company will continue with its strategy as a significant participant in the switching and settlement of formal credit and debit card transactions on behalf of formal banks and large retailers.

In addition, the Company s management believes that the Prism management team will provide further depth to the current management structure. The Company has commenced with a detailed integration plan since the transaction became effective on July 3, 2006. The Company was precluded from commencing a detailed integration plan and analysis prior to the effective date as South African competition laws restrict the amount of information that may be shared between the acquirer and the acquiree prior to the closing of a transaction.

The following table sets forth the amount paid for Prism using exchange rates applicable as of July 3, 2006:

Acquisition of the entire issued and outstanding share capital of Prism for cash	$	95,178
Estimated costs directly related to the acquisition		2,129
Total purchase price	$	97,307

The following table sets forth the preliminary allocation of the purchase price:

Cash and cash equivalents	$	15,090
Accounts receivable, net		7,755
Inventory		1,497
Property, plant and equipment		4,211
Intangible assets (see Note 6)		27,900
Trade and other payables		(13,842)
Income taxes payable		(1,223)
Deferred tax assets		2,993
Deferred tax liabilities		(10,650)
Minority interests		(649)
Goodwill (see Note 6)		64,225
Total purchase price	$	97,307

The preliminary purchase price allocation was based on an independent appraisal and management estimates as of September 30, 2006 and may be adjusted up to one year following the closing of the transaction. The purchase price allocation has not been finalized as management is still in the process of performing its detailed analysis of assets and liabilities and contingencies acquired. In addition, all costs related to the acquisition have not been identified and allocated. Management expects to finalize the purchase price allocation on or before December 31, 2006. Management does not expect any significant re-allocations between the preliminary purchase price allocation and the final purchase price allocation.

The results of Prism s operations are reflected in the Company s financial statements from July 3, 2006.

3. Pre-funded social welfare grants receivable

The pre-funded social welfare grants receivable represents the amounts due from provincial governments, as the Company pre-funds social welfare grant payments on behalf of the government in these provinces. The pre-funded amounts are typically reimbursed to the Company within two weeks after the disbursement of the grants. The grant payment service normally commences a week before the start of a calendar month, with the exception of January. The January payment service typically commences during the first week of January.

4. Deferred expenditure on smart cards

The deferred expenditure on smart cards represents amounts paid for smart cards used in the administration and distribution of grants to beneficiaries. These expenditures are deferred and written off over the period of the contract with the provincial government.

5. Equity-accounted investments

The Company has a 43.16% interest in the issued and outstanding ordinary share capital and loans of Permit Group 2 (Pty) Ltd (Permit) and a 50% interest in the issued and outstanding ordinary share capital and loans of SmartSwitch Namibia (Pty) Ltd (SmartSwitch Namibia) and SmartSwitch Botswana (Pty) Limited (SmartSwitch Botswana). The Company has sold hardware, software and licenses to SmartSwitch Namibia and SmartSwitch Botswana and defers recognition of 50% of the net income after tax related to these sales until SmartSwitch Namibia and SmartSwitch Botswana has used the purchased asset or has sold it to a third party. The deferral of the net income after tax is shown in the Elimination column in the table below.

The functional currency of the Company s equity accounted investments is not the U.S. dollar and thus the investments are restated at the period end U.S. dollar/foreign currency exchange rate with an entry against accumulated other comprehensive income. The functional currency of Permit is the South African rand, the functional currency of SmartSwitch Namibia is the Namibian dollar and the functional currency of SmartSwitch Botswana is the Botswana pula.

Summarized below is the Company s interest in equity-accounted investments as of September 30, 2006 and June 30, 2006:

	Equity	Loans	Earnings (Loss)	Elimination	Total
Permit:					
Balance as of July 1, 2005	-	$ 736	$ 444	$ 145	$ 1,325
Earnings from equity-accounted investment	-	-	868	101	969
Foreign currency adjustment(1)	-	(59)	(145)	(23)	(227)
Balance as of June 30, 2006	-	677	1,167	223	2,067
Earnings from equity-accounted investment(4)	-	-	770	26	796
Foreign currency adjustment(1)	-	(40)	(125)	(15)	(180)
Balance as of September 30, 2006	-	637	1,812	234	2,683
SmartSwitch Namibia:					
Share capital acquired/ loans extended	$ 634	1,978	-	-	2,612

Loss from equity-accounted investment	-	-	(68)	(518) [5]	(586)
Foreign currency adjustment[2]	(98)	(259)	9	61	(287)
Balance as of June 30, 2006	536	1,719	(59)	(457)	1,739
Earnings (Loss) from equity-accounted investment[4]	-	-	(219)	13	(206)
Foreign currency adjustment[2]	(27)	(101)	17	46	(65)
Balance as of September 30, 2006	$ 509	$ 1,618	$ (261)	$ (398)	$ 1,468

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5. Equity-accounted investments (continued)

SmartSwitch Botswana:

Share capital acquired/ loans extended	$	710	$	708	-	-	$	1,418
Earnings (Loss) from equity-								