

... what does
the future
sound like ?

 **TELE**
Masters
Annual Report
2007



► **Members of the Board: TeleMasters Holdings Limited**

Directors: Mario Pretorius (CEO), Brandon Topham (CFO), Natie Bekker (CTO), Tumi Moji (Non-executive Chairman).

Corporate Profile



TeleMasters Holdings Limited is an 11- year-old business in the telecommunications services industry, listed on 12 March 2007 on the Johannesburg Stock Exchange Limited via private placement of shares at 50c each. There are 42 million shares in issue.

TeleMasters supplies corporate strategy and channel selection services across South Africa to SME's and large corporate clients. (See the next page for details)

Our income is 100% annuity based. With healthy cash profits we are in a good position to pay substantial dividends, with a 40% dividend policy.

TeleMasters intends to grow our profile as the premium supplier of telecommunication services. We are served by a channel of 131 sales partners throughout South Africa and eight Sales Managers. Our sales focus is to attract more business from the top end corporate sector where our strategy and value-added offerings have traditionally been well received.

The telecommunications sector is in a state of consolidation and TeleMasters is actively canvassing like-minded businesses for mergers and acquisitions. Our strategy is to broaden our base of customers by diversifying into complementary telecommunication areas.

We are located in Centurion, Gauteng, and through our networks we have extensive representation throughout South Africa.

TeleMasters partners with:

 <p>Auditors</p>	 <p>Designated Advisers</p>	 <p>Corporate Attorneys</p>	 <p>JSE: TLM Telemastr</p>
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TeleMasters Business Overview



Every business has at least 33 choices in communicating electronically with the outside world. TeleMasters helps business Leaders to choose the most efficient and cost effective channel.

The effect of accepting TeleMasters' services is a reduction of up to 56% on electronic communication cost. The biggest saving, in monetary terms to our customers is on calls destined to cellular numbers where we route such calls directly to the three cellular networks. In industry speak this is called 'cellular least-cost routing', more commonly referred to as 'LCR'.

In short, TeleMasters develops a Business Communication Strategy to realize savings.

This **Business Strategy** is based on two premises:

1. TeleMasters thinks that an effective strategy should be entirely self-funding.

At TeleMasters we have spent 11 years mastering the science of Business Communication and we share our expertise at no charge.

2. TeleMasters will evaluate, audit, strategise and implement our findings entirely at our risk.

We make our money only from finding and implementing improvements through the use of more appropriate and more effective channels of communication for our customers.

The three key components of our Strategy can be summarized as follows:



Our Business Philosophy is based on these two foundations:

1. ▶ At TeleMasters we sell our services the way we would want to buy services: as a risk-free and a guaranteed offering.

For 11 years we have offered a savings-guaranteed service. We even issue a monthly Savings Cheque to every customer:



2. At TeleMasters we sell on high quality and aim to maintain lifelong, satisfied customers, and to grow a sustainable and profitable business.

It is more taxing, yet more rewarding to follow the high road to exemplary quality in the offering and support of services. TeleMasters diligently follows this path and the result is high customer retention at profitable margins.

For a detailed description of our services, please visit

www.telemasters.co.za

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Chairman's Report

In the short time that TeleMasters Holdings has been listed on the ALT-X there is no doubt in my mind that innovation and creativity drives the culture of this organization. Business is forever changing in nature and it is imperative that we face this challenge with well thought out, different, innovative, comprehensive and new methods of operation. We pride ourselves on the creation of wealth and growth through continuous improvement of the way we do things. We reward shareholders by offering above-market returns on their investments.

Our success depends not only on satisfying our customers and partners' needs but exciting them. We need to ensure that we satisfy the needs of our stakeholders including those needs or requirements which were not known to us. This is based on mutual trust between all stakeholders. As for the future, I can assure you that every shareholder who invests in TeleMasters can rest assured that the Board will not compromise in its efforts to ensure that your investment is protected and continues to grow in value.

TeleMasters' new strategy initiatives will be coming to fruition in the next year. The foundations of moving closer to the strategy decision at the client has been laid. It is more important to set out and agree on the strategy than it is on selecting the carriers to execute it. Wherever the telecommunications revolution is leading, TeleMasters will be at the forefront, making sense of it and unlocking value from it for our customers.

To you as a valued investor or as a potential participant in our bright future, I offer my sincere thanks for your belief and support. TeleMasters offers real value and a sustainable, growing business model. The whole telecommunication sector is growing rapidly and an investment in TeleMasters ensures you have grabbed a stake in the future.



ME Moji
Non-executive Chairman

▶ “TELEMASTERS WILL BE AT THE FOREFRONT ...”

Chief Executive Officer's Report

What does a 21st century company look like - better still what does it sound like?

In 2005 the TeleMasters management decided to raise the already high standards of operations in anticipation of bearing the close scrutiny of being a listed company. In the process we decided to transform the way we do business to incorporate the most innovative ideas we could find and invent.

The effect is reflected in our excellent results. So listen to this: we think it comes from good systems and procedures that allow people time to think about improving the systems and not just working them. As a result we have one of the highest sales per employee in SA telecoms.

Our R40,000 Profit after tax per employee per month is unequalled in the industry.

We're becoming a 21st century company. We think a 21st century company should want to pay monthly dividends (and we're working on this). To us, being a 21st century company means everyone with a computer must earn a licence to drive it; type 45 words per minute and pass advanced software courses. Bonuses are paid to employees based on a health incentive benefit. 80% of employees are directly involved with customers and see them regularly.


Our debtors clerks are called Customer Relationship Managers and see customers three times a week. The result is debtor's days of less than 21 on average, often as low as six days.

Our Logistics Managers get new clients installed and going in four days - substantially shorter than the several weeks that are the industry average. Every second Wednesday we all participate in training and team building. Our management structure has two layers, as flat as can be. All positions are organized around self-providing teams with all functions present. This decentralizes decisions, authority and implementation responsibility. Talk about fast decision making!

The sharp end of the business is our partner channel and Sales Managers who assist and manage the flow of new business. TeleMasters still has 100% annuity business, the pyramid of income is being grown every month at a fantastic rate.

Is this what the future looks like? We think the future sounds like a TeleMasters call. We think it sounds good: high return on sales (over 7 %), high growth (+25%), cash flush earnings and no debt except some vehicle financing. It sounds like a 12 cents dividend. This represents a dividend yield that is greater than six, good enough to crack the top 15 on the JSE and almost twice as good as the next company on the Alt-X.

Coupled with the 'soft factors' of high staff retention rate, extremely positive customer feedback from a structured annual questionnaire and great support from our sales channel, we think the future "sounds" bright. Listen to this space!



Mario Pretorius
CEO

► "WE'RE BECOMING A 21ST CENTURY COMPANY"

Financial Overview by Chief Financial Officer

I am pleased to report a very successful year for TeleMasters in terms of our first financial results as a listed company. The salient features of our results are as follows:

- The results reflect net profits after tax 56% higher than forecast at R11,013,525 representing an Earnings per share of 26.95 cents.
- The Revenue for year of R150,708,587 is up 16%.
- A net profit percentage before tax of 10% due to low operating costs.
- The cash flow statement reflects cash flows from business operations of R22,579,136 which reflects in the positive cash position of the company with excellent current and other liquidity ratios.
- Long term borrowings amount to R469,672 which is insignificant when compared against Reserves totalling R16,521,584.
- The net asset value per share at year end amounts to 39,33 cents per share.

Due to the liquid position of the company a dividend of 12 cents per share was declared and paid to all shareholders registered as such on 30 November 2007. The total dividend is covered 2.24 times by profit after tax.

The business operations of the company continue to reflect ongoing organic growth with positive annuity type cash flows.



Brandon Topham
CFO

▶ “... VERY SUCCESSFUL YEAR”

Corporate Governance Statement

INTRODUCTION

The Board of TeleMasters confirms its commitment to the principles of fairness, accountability, responsibility and transparency. Through this process, shareholders and other stakeholders may derive assurance that the Company is being managed ethically according to prudently determined risk parameters and in compliance with generally accepted corporate practices. As a result of the listing of the Company, the Board has re-examined the principles and requirements of the King II Report and the Rules of the JSE with regard to corporate governance. Due consideration has been given as to how to best implement the recommendations of the said report within the Company and the Board as a minimum has complied with the following:

THE BOARD

Role, function and independence of the Board

TeleMasters has a unitary Board with a Chairman who is elected from the Board of Directors. The roles of Chairman and the Chief Executive Officer remain separate and distinct. The Chairman has the responsibility of running the Board, while the Chief Executive Officer has the responsibility of conducting the affairs of the Company. This separation, together with a policy requiring a clear division of responsibilities of the Board, ensures a balance of power and authority, such that no one individual has unfettered powers of decision-making.

The Board of Directors is responsible for the proper management and ultimate control of the Company. In order to meet this responsibility to members and other stakeholders, the Board is responsible for setting the strategic objectives of the Company, determining investment and performance criteria, and taking ultimate responsibility for the proper management and ethical behaviour of the businesses of the Company.

The Board sits at least four times per annum and has met eight times over the past financial year.

Directors all have unfettered access to the Company Secretary who, *inter alia*, is responsible for ensuring that proper procedures are followed regarding Board matters. Directors' information packs are prepared before each Board meeting so as to inform the directors fully of the issues at hand. Directors are furthermore entitled to ask questions of any personnel and have unrestricted access to all Company documentation, information and property.

The Board's main responsibilities include: strategy, acquisition and disinvestment policy, risk management, financing and corporate governance. In addition, the Board is accountable for relations with stakeholders and is responsible for creating, protecting and enhancing the Company's wealth and resources, timely and transparent reporting and for acting at all times in the best interests of the Company and its shareholders. None of the directors' remuneration is tied to the financial performance of the Company.

With the prior approval of the Chairman, which will not be withheld unreasonably, each director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfill their duties and responsibilities as directors.

Composition of the Board

The Company has a board structure which consists of four directors, one of whom is a non-executive director. The Directors bring a wide range of experience, diversity, insight and independence of judgment on issues of strategy, performance, resources and standards of conduct to the Board.

Corporate Governance Statement

The current Board consists of:

- **Mario Brönn Pretorius (50)**
Chief Executive Officer
-

Mario matriculated at Afrikaans Hoër Seunskool, Pretoria, in 1974 and obtained a Bachelor of Commerce in 1979 from Potchefstroom University. He was later appointed Marketing Manager at Artos Engineering, Oslo, Norway. In 1981 Mario was appointed International Development Manager of Domino's Pizza International in Ann Arbor, Michigan, USA.

In 1984 Mario obtained his MBA from the University of Cape Town and in 1985 he joined Traditional Beer Investments, the development division of the SAB Group Limited, as Marketing Manager and also became a director of Avens Investments (Pty) Ltd. Mario was also appointed Managing Director of Aida National Franchises (Pty) Ltd and Director of Aida Holdings Limited whom he helped list in 1987. In 1988 he joined Okifax, a division of MALBAK Limited as Managing Director and a Non-Executive Director of Nimbus Holdings Limited. Mario has established various telecommunications support companies and Zero Plus Developments (Pty) Ltd.

Mario is the founder and current CEO of TeleMasters. He has been a pioneer in the Least Cost Routing industry and the driving force behind the expansion of TeleMasters.

- **Masetumo Elizabeth Moji (42)**
Non-executive Director and Chairman
-

Masetumo (Tumi) obtained a BAdmin degree at the University of the North and later her BAdmin (Hons) in Industrial Psychology at UNISA. She is a registered psychometrist and also holds a certificate and diploma in marketing from UNISA.

From 1993 to 1994 Tumi worked at Eskom as recruiting and sourcing officer and later joined L & C Steinmuller Group. In 2001 she joined Marconi Communications SA (Pty) Ltd as Sales Director and represents the Company at the Electronic and Telecoms Industries Association and Electronics Industries Federation.

Tumi is a veteran of the telecommunications industry. Tasked with international sales and sourcing, she has strengthened Marconi's position as a prime supplier of equipment to the largest telco's in South Africa. Tumi brings a wealth of industry-related experience and a host of sector-wide contacts to the Board.

- **Igenatius Godtlieb Bekker (47)**
Technical Director
-

Igenatius (Natie) matriculated at Paarl Boys High School in 1979 and joined Telkom SA as telecommunications electrician. In 1992 he joined the CTO Telecommunications Department of the former Bophuthatswana Government and later Marconi RSA where he was responsible for international client training.

From 1997 to 2005 Natie consulted professionally in telecommunications matters in over 40 countries. Natie served as an International Training Manager at Telkom and served in 42 countries including South America, Eastern Europe and Africa. He successfully ran his LCR installation and maintenance business, having TeleMasters (Pty) Ltd as one of his many clients, before being persuaded to fold it into TeleMasters (Pty) Ltd in April 2005. Natie is the Technical Director and also manages the Logistics of TeleMasters. He has a Higher Teaching Diploma - Education - Telecommunications Engineering.

- **Brandon Rodney Topham (36)**
Financial Director
-

Brandon trained and qualified as a chartered accountant and is an admitted attorney of the High Court. Apart from his professional memberships he is also a member of the Institute of Directors and the National speakers association of South

Corporate Governance Statement

Africa. He has served as a non-executive director of 1Time Airline (Pty) Ltd and as a director of various audit and law practices. He currently serves as the Chief financial officer of TeleMasters and serves as a director of: Professional Provident Society Holdings Limited, Seesa Limited, Breform Limited and other private companies. He has specialised as a Forensic accountant and currently also acts from time to time as an Inspector of Financial Institutions for the FSB. He sits as a trustee of various trusts and non-profit organisations. He is currently an elected Councillor in the City of Tshwane Metropolitan Municipality.

He has obtained the following post graduate qualifications: B Compt (Hons); B Proc; LLM, Post-Graduate Certificate in Advanced Taxation, Certified Fraud Examiner (USA), Passed CIMA finalist and an Associate Financial Planner.

No changes to the current Board have been made during the past year. Any changes to the Board in the future shall take place by according to the following process:

- any new appointment will be considered by the board as a whole; and
- the Secretary will ensure that the new director attends the Wits Business school, directors induction programme and will provide any new director with an induction session to ensure that the new board member understands the Company, the business environment and his role and responsibilities as a director of the Company;

Terms of reference of the Board

The Board of Directors' responsibility is to:

- ensure that the Company prepares annual budgets and strategic business plans against which performance will be measured;
- ensure that Board committees are nominated from its members and external persons where applicable; and
- review the scope and adequacy of activities of the Board committees annually to evaluate the effective discharge of their responsibilities in terms of statutory and corporate governance requirements and for compliance with the requirements of the Company's policies.

While retaining overall accountability and subject to matters reserved to itself, the Board has delegated authority to run the day-to-day affairs of the Company to the CEO.

All directors' interests in terms of section 234 of the Companies Act of 1973 have been disclosed and all directors are aware of their duty to make full disclosure of any interest involving the Company.

ATTENDANCE AT BOARD MEETINGS

During the preceding year all directors and the Designated advisor attended all meetings. Where it has been impossible for a person to be at the meeting in person, a telephonic conference call has been implemented to ensure 100% attendance.

ACCOUNTING AND AUDITING

The Board places strong emphasis on achieving the highest level of financial management, accounting and reporting to shareholders. The Board is committed to comply with International Financial Reporting Standards (IFRS) and the Companies Act. It is the directors' responsibility to prepare financial statements that fairly present:

- the state of affairs as at year-end;
- profit or loss for the year;
- cash flow for the year, and
- non-financial information.

The external auditors observe the highest level of business and professional ethics and their independence is not impaired in any way. The external auditors were given unrestricted access to all financial records and related data, including minutes

Corporate Governance Statement

of all meetings of shareholders and of the Board of Directors. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

The external auditors provide an independent assessment of systems of internal financial control to the extent necessary for the audit, and express an independent opinion on whether the financial statements are fairly presented. The external audit function offers an opinion that the annual financial statements present fairly in all material respects, the financial position of the Company at 30 September 2007. The audit provides reasonable, but not absolute, assurance as to the accuracy of financial disclosures.

The Board set principles that were considered and accepted by the shareholders for using the external auditors for non-audit services.

AUDIT COMMITTEE

The Company has established an Audit Committee as part of the Board's commitment to ensure a sound system of internal control to safeguard stakeholders' interests and the Company's assets. The Audit Committee shall at all times consist of at least two people independent of the management of the Company.

- The Audit Committee consists of ME Moji a non-executive director, PI Buys an independent Chartered Accountant in public practice, EWA Bauser an independent Chartered Accountant in commerce. The financial director, BR Topham, sits on the committee but has no vote.
- The external auditors have free access to this committee and will be invited to attend all of its meetings, which occur at least twice each year.
- The primary objective of this Committee is to promote the overall effectiveness of corporate governance within the Group. Additional objectives include:
 - ensuring the integrity of the Company's accounting and financial reporting systems;
 - ensuring that the appropriate systems are in place for monitoring risk, financial control and compliance with the law and codes of conduct;
 - evaluating the effectiveness of the risk-and compliance-management functions of the Company;
 - maintaining appropriately transparent relationships with the external auditors, who will be appointed each year based on the recommendations of the Audit Committee;
 - advising on the appointment of the external auditors to handle non-audit functions;
 - reviewing the scope and quality of the statutory audit and the independence and objectivity of the audit; and
 - reporting on the going concern concept.

The Audit Committee has explicit authority to investigate any matter under its terms of reference and has access to all resources and information it requires in order to act on this authority.

The Audit Committee is also responsible for monitoring all contracts entered into by the Company in which any of the directors are either beneficially or indirectly beneficially interested so as to ensure that all such contracts are fair and reasonable and in the best interests of the Company.

Due to recent changes in legislation the Audit Committee will in the new financial year need to consist of at least two independent non-executive directors. These persons are in the process of being identified for appointment to the Board.

DIRECTOR'S REMUNERATION AND THE REMUNERATION COMMITTEE

The Company has not established a Remuneration Committee: in view of the small Board and low cost structure of the Company the Board is of the opinion that it is not necessary at this stage. It is the responsibility of the entire Board to review

Corporate Governance Statement

the performance of the individual Board members and to review any changes in remuneration paid to any director.

The remuneration paid to directors is determined on a cost-to-company basis and consists solely of a basic salary and certain fringe benefits for both executive and non-executive directors with the amounts being based on the various levels of day-to-day responsibility and activity.

The salary of the directors has been disclosed in detail in the annual financial statements of the Company.

COMMUNICATION WITH STAKEHOLDERS

A policy of effective communication and engagement with all stakeholders has been adopted by the Board. The Company seeks to provide a secure, healthy and participative social and working environment for its staff and associates. The Board has also approved the publication of interim results each quarter to enable all shareholders to have accurate and timely information available to them.

The Board encourages its shareholders to attend the Company's general meetings where they will be provided with opportunities to ask questions of the Board, the Audit committee and the Company's Auditors. Shareholders will be informed at the meeting of the results of all voting which will take place there.

INSIDER TRADING

The Company enforces a restricted period for dealing in shares, in terms of which any dealings in shares by all directors is disallowed by the Board from the time that the reporting period has elapsed to the time that results are released and at any time that the Company is trading under a cautionary announcement. A procedure for directors to deal in shares has been introduced and all affected persons have access to the Company Secretary and the Designated advisor should they have any doubt as to whether or not they can trade.

All Directors' dealings in the shares of the Company are disclosed in the Directors' report.

COMPANY SECRETARY

The appointment and removal of the Company Secretary is a matter for the Board as a whole. The Company Secretary is required to provide the members of the Board with guidance and advice regarding their responsibilities, duties and powers and to ensure that the Board is aware of all the legislation relevant to or affecting the affairs of the Company. The Company Secretary also has to ensure that the Company complies with all applicable legislation regarding the affairs of the Company, including the necessary recording of meetings of the Board, Board committees and shareholders of the Company.

CODE OF ETHICS

The Board subscribes to the highest level of professionalism and integrity in conducting its business and dealing with all its stakeholders.

In adhering to its Code of Ethics, the Board is guided by the following broad principles:

- businesses should operate and compete in accordance with the principles of free enterprise;
- free enterprise will be constrained by the observance of relevant legislation and generally accepted principles regarding ethical behaviour in business;
- ethical behaviour is predicated on the concept of utmost good faith and characterised by integrity, reliability and a commitment to avoid harm;
- business activities will benefit all participants through a fair exchange of value or satisfaction of need; and
- equivalent standards of ethical behaviour are expected from individuals and companies with whom business is conducted.

Corporate Governance Statement

ANNUAL FINANCIAL STATEMENTS

The directors are required to maintain adequate accounting records and are responsible for the preparation of the annual financial statements and related financial information of the Company at the end of the financial year, in conformity with International Financial Reporting Standards and in terms of the JSE Listing Requirements.

The external auditors are responsible for independently auditing and reporting on the annual financial statements in conformity with International Standards on Auditing and the Companies Act. Their unqualified report has been given to the annual financial statements prepared by the Board for approval by shareholders.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has ultimate responsibility for the total process of risk management and its effectiveness within the Company. The Board has established internal controls to manage significant Company risk. In view of the limited nature of the Company's business and size of operations, the Board considers it unnecessary to operate an internal audit function at this stage.

Daily and monthly management reports provide an effective tool for the assessment of the key risks and management of the operations. These form an important component for Board members to obtain assurance and manage risk.

The Board is satisfied that there is an ongoing process for identifying, evaluating and managing the significant risks of the Company.

DESIGNATED ADVISOR

River Group acts as designated advisor to the Company in compliance with the Listings Requirements of the JSE.

CONCLUSION

The Board is of the opinion that the Company complies in all material respects, with the exception of the establishment of a Remuneration Committee, with the recommendations and spirit of the King Code, as well as the additional requirements for corporate governance stipulated in the JSE Listing Requirements.

Company Secretary's Certificate

The Secretary certifies that the Company has lodged with the Registrar of Companies, all such returns as are required by a public company, in terms of the Companies Act, No 61 of 1973, as amended, and that all such returns are true, correct and up to date to the extent that the Secretary has been informed.



Brandon Topham
18 February 2008

Directors' Responsibilities and Approval

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required by the Companies Act to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards and in the manner required by the Companies Act in South Africa. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act in South Africa and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring that the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavors to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year to 30 September 2008 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the board of directors is primarily responsible for the financial affairs of the company, it is supported by the company's external auditors.

The external auditors are responsible for independently reviewing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on page 11. The financial statements set out on pages 12 to 33, which have been prepared on the going concern basis, were approved by the board of directors on 21 November 2007 and were signed on its behalf by:



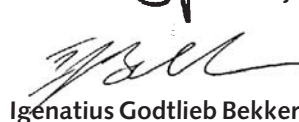
Mario Brönn Pretorius



Brandon Rodney Topham



Masetumo Elizabeth Moji



Igenatius Godtlieb Bekker

Independent Auditor's Report To The Members of TeleMasters Holdings Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the annual financial statements of TeleMasters Holdings Limited, which comprise the director's report, the balance sheet as at 30 September 2007, the income statement, the statement of changes in equity and cash flow statement for the year ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 12 to 33.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair representation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimate made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company at 30 September 2007 and the results of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.



BDO Spencer Steward

Registered Auditors
Chartered Accountants (S.A)
Pretoria
21 November 2007

Directors' Report

The directors submit their report for the year ended 30 September 2007.

1. REVIEW OF ACTIVITIES

Main business and operations

The Company is engaged in the telecommunication industry and provides least cost routing and other communications solutions to entities operating in South Africa. The assets were acquired during the year from TeleMasters (Pty) Ltd. The Company also listed on the Johannesburg Stock Exchange on 12 March 2007.

The operating results and state of affairs of the Company are fully set out in the attached financial statements and do not, in our opinion, require any further comment other than to note the following:

The net profit of the Company is R11,013,525, after taxation of R4,441,416 and reflects earnings per share of 26.95 cents. This is 55.96% higher than the forecast figure of 17.28 cents per share. The net profit after tax is 51.74% higher than forecast. The major reason for this increase is an improvement in the business environment together with larger than anticipated incentive bonuses from suppliers.

2. POST BALANCE SHEET EVENTS

The directors are not aware of any matter or circumstance arising since the end of the financial year which would have an affect on the Company other than the fact that the Company has started preliminary discussions with various entities which may result in an acquisition or merger with such entities. At the date hereof no formal agreements have been entered into.

3. AUTHORISED AND ISSUED SHARE CAPITAL

The authorised and issued share capital of the company at 30 September 2007 is set out in note 8 to the financial statements. During the year under review the following shares were issued:

- On 2 October 2006 - 34 440 000 shares were issued to TeleMasters (Pty) Ltd for the acquisition of its assets,
- On 20 February 2007 - 2 940 000 shares were issued by way of private placement to public shareholders at an issue price of 50 cents per share including premium.

4. DIVIDENDS

No dividends were declared or paid to shareholders during the year. Since the year end, an ordinary dividend of 12 cents per share was declared on 7 November 2007, payable to shareholders registered on 30 November 2007.

5. NON-CURRENT ASSETS

No changes were made in the nature of property, plant and equipment of the Company or in the policy regarding their use during the year under review. All changes to the composition of property, plant and equipment of the Company are fully set out in the attached financial statements.

6. DIRECTORS

The directors of the company during the year and to the date of this report are as follows:

Name	Nationality	
Mario Brönn Pretorius	South African	- Executive
Igenatius Godtlieb Bekker	South African	- Executive
Brandon Rodney Topham	South African	- Executive
Masetumo Elizabeth Moji	South African	- Non-Executive

7. SECRETARY

River Group resigned as secretary of the company on 25 July 2007 and Brandon Topham was appointed in their stead on 25

Directors' Report

July 2007. The secretary's business and postal address is: 100A Club Avenue, Waterkloof Ridge, Pretoria, 0181

8. SPECIAL RESOLUTIONS

No special resolutions were passed by the Company during the year under review.

At a special general meeting held on 26 February 2007 shareholders approved the specific issue of 80 000 000 shares at a minimum placement price of R1.60 per share to be issued within six months to various fund managers and public shareholders who had indicated an interest to purchase shares in TeleMasters as and when the Company decided to raise funds. No issues in terms of this resolution were made.

9. AUDITORS

BDO Spencer Steward will continue in office in accordance with section 270(2) of the Companies Act.

10. INTERESTS OF DIRECTORS AND OFFICERS

The register of interests of directors in contracts in terms of Section 234 of the Companies Act No 61 of 1973, as amended, is available to the public on request.

11. DIRECTORS' INTEREST IN SHARE CAPITAL

Shareholding at year end

At 30 September 2007 the directors of the Company held directly the following shares in the Company:

IG Bekker	531,000
ME Moji	360,000

At 30 September 2007 the directors of the Company held indirectly and non beneficially the following shares in the Company:

BR Topham	20,000
-----------	--------

At 30 September 2007 the directors of the Company held indirectly and beneficially the following shares in the Company:

BR Topham	393,626
MB Pretorius	35,700,000

Share dealings during the financial year

During the financial year the directors of the Company acquired directly the following shares in the Company:

IG Bekker	205,000
ME Moji	210,000

During the financial year the directors of the Company acquired indirectly and non beneficially the following shares in the Company:

BR Topham	20,000
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During the financial year the directors of the Company acquired indirectly and beneficially the following shares in the Company:

BR Topham	243,626
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Share dealings after year end

Between the year end and the date of this report, the following shares were purchased by directors indirectly and beneficially:

BR Topham	51,057
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Directors' Report

12. ANALYSIS OF SHAREHOLDERS

Shareholders holding more than 5%

Shareholder	% Holdings	No of shareholders	No of shares
Maison D'Obsession Trust - CEO beneficial interest	85%	1	35,700,000
Total	85%	1	35,700,000

Shareholder analysis

Directors	88%	4	37,004,626
Public and staff with no restrictions on dealings	12%	207	4,995,374
Total	100%	211	42,000,000

Balance Sheet

Figures in Rand	Note(s)	2007
ASSETS		
<i>Non-Current Assents</i>		
Property, plant and equipment	3	7,206,663
Intangible assets	4	308,900
Other financial assets	5	19
		7,515,582
<i>Current Assets</i>		
Trade and other receivables	6	10,782,100
Cash and cash equivalents	7	19,352,863
		30,134,963
Total Assets		37,650,545
EQUITY AND LIABILITIES		
Equity		
Share capital	8	5,508,059
Retained income		11,013,525
		16,521,584
Liabilities		
<i>Non-Current Liabilities</i>		
Instalment sale agreement obligations	9	469,672
Deferred tax	10	70,520
		540,192
<i>Current Liabilities</i>		
Bank overdraft	7	21,938
Current tax payable		4,370,896
Trade and other payables	11	15,803,423
Instalment sale agreement obligations	9	269,573
Provisions	12	122,939
		20,588,769
Total Liabilities		21,128,961
Total Equity and Liabilities		37,650,545

Income Statement

Figures in Rand	Note(s)	2007
Revenue		
Services rendered	13	150,708,587
Cost of sales		
Cost of services rendered		(124,334,542)
Gross profit		26,374,045
Other income		
Investment income	14	488,266
Operating expenses		
Auditors' remuneration		(68,130)
Depreciation and amortisation		(2,468,199)
Directors' emoluments	21	(1,682,019)
Lease rentals on operating lease		(274,950)
Other expenses		(6,859,954)
		(11,353,252)
Profit before finance costs and taxation		15,509,059
Finance costs	15	(54,118)
Profit before taxation		15,454,941
Taxation	16	(4,441,416)
Profit for the year		11,013,525
Earnings and diluted earnings per share (cents)		26.95
Headline earnings and diluted headline earnings per share (cents)		26.95

Changes in equity



Figures in Rand	Share capital	Share premium	Total share capital	Retained income	Total equity
Balance at 01 October 2006					
Changes in equity	-	-	-	-	-
Profit for the year				11,013,525	11,013,525
Issue of shares	4,200	5,966,262	5,970,462		5,970,462
Share issue costs		(462,403)	(462,403)		(462,403)
Total changes	4,200	5,503,859	5,508,059	11,013,525	16,521,584
Balance at 30 September 2007	4,200	5,503,859	5,508,059	11,013,525	16,521,584
Note (s)	8	8	8		

Cash Flow Statement

Figures in Rand	Note(s)	2007
Cash flows from operating activities		
Cash generated from operation	17	22,633,254
Finance costs		(54,118)
Net cash from operating activities		22,579,136
Cash flows from investing activities		
Purchase of property, plant and equipment	3	(9,586,448)
Purchase of other intangible assets	4	(397,313)
Purchase of financial assets		(19)
Investment income	14	488,266
Net cash from investing activities		(9,495,514)
Cash flows from financial activities		
Proceeds on share issue	8	5,970,462
Reduction of share premium with share issue costs	8	(462,403)
Repayment of instalment sale obligations		(128,530)
Proceeds from instalment sale obligations		867,774
Net cash from financing activities		6,247,303
Total cash movement for the year		19,330,925
Cash at the beginning of the year		-
Total cash at end of year	7	19,330,925

Accounting Policies

1. PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with International Financial Reporting Standards, and the Companies Act of South Africa. The financial statements have been prepared on the historical cost basis, modified for certain items measured at fair value, and incorporate the principal accounting policies set out below.

IFRS and IFRIC interpretations not yet effective

The new standards, amendments to standards and interpretations that are relevant to the company that are not yet effective for the year ended 30 September 2007, and have not yet been applied in preparing these financial statements are:

- *IFRS 7 Financial Instruments: Disclosures* requires extensive disclosure about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of financial risks. IFRS 7, which becomes mandatory for the company's 2008 financial statements, will require additional disclosures with respect to the company's financial instruments and share capital.
- *IFRS 8 Operating Segments* requires an entity to adopt the management approach when reporting on the financial performance of its operating segments. Generally, the segment reporting would be based on the information that management uses internally for evaluating segment performance and when deciding how to allocate resources to operating segments. The application of the IFRS is not expected to have a material impact on the disclosure applied to segment reporting by the company. The Standard has an effective date of 1 January 2009.
- *IFRIC 10 Interim Financial Reporting and Impairment* prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. IFRIC 10 will become mandatory for the company's 2008 financial statements, and may apply to accounts receivable. The adoption of IFRIC 10 is not expected to have a material impact on the company's 2008 financial statements.

1.1 Significant judgements

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgments is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgments include:

Trade and other receivables:

The company determines at each balance sheet date whether an impairment loss should be recognised in respect of certain trade receivables. In assessing recoverability of amounts, the company considers previous experience and current observable data that indicates a measurable decrease in the estimated future cash flows from the financial asset.

Property, plant and equipment:

Fixed assets are reviewed annually on an individual basis to determine useful life and residual value. Useful life is determined taking into account technological advances impacting the industry. Residual value is determined with reference to current market prices.

1.2 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Accounting Policies



Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Depreciation is recognised so as to write off the cost of an asset to its residual value over the following useful lives:

Item	Average useful life
Furniture and fixtures	6 years
Motor vehicles	5 years
Office equipment	6 years
IT equipment	3 years
Routers and handsets	3 years

The residual value, depreciation method and useful life of each asset are reviewed at each financial period-end.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately if it has a useful life or depreciation method that differs from the remainder of the asset.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.3 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets. For all other intangible assets amortisation is provided on a straight line basis over their useful lives.

Accounting Policies

The amortisation period, residual value and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a definite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3 years

1.4 Financial instruments

Initial recognition

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised costs; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Accounting Policies

Bank overdraft

Bank overdrafts are initially and subsequently recorded at fair value.

Available for sale financial assets

Investments are measured initially and subsequently at fair value. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost. Gains and losses arising from changes in fair value are recognised directly in equity until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit or loss for the period.

Impairment losses recognised in profit or loss for equity instruments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

1.5 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill or is a result of the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, directly in equity, or
- a business combination.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

Accounting Policies

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the balance sheet at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability. This liability is not discounted.

Any contingent rents are expensed in the period in which they are incurred.

1.7 Impairment of assets

The company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The company assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the

Accounting Policies

recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss.

1.8 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

If the company reacquires its own equity instruments, those instruments are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments.

Consideration paid or received is recognised directly in equity.

1.9 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

1.10 Contingencies

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 19.

1.11 Revenue

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the balance sheet date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the balance sheet date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

Dividends are recognised, in profit or loss, when the company's right to receive payment has been established.

1.12 Cost of sales

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Notes to the Financial Statements



2. SEGMENT REPORT

The company does not have different operating segments. The business is conducted in South Africa and is managed centrally and has no branches. The company is managed as one operating unit. Accordingly there is no meaningful segmental information to report other than the following:

Figures in Rand	2007
Revenue by nature	
Commissions earned on airtime	139,052,707
Connection Incentive Bonuses	11,569,990
Other	85,890
Total	150,708,587

Major customers

Revenues from transactions with a single external customer amounting to 10 percent or more of the company's revenue, are disclosed below:

Commission earned on airtime - Customer A	33,250,830
Commission earned on airtime and Connection Incentive Bonuses - Other	117,457,757
Total	150,708,587

Notes to the Financial Statements



Figures in Rand

2007

3. PROPERTY, PLANT AND EQUIPMENT

	Cost/ Valuation	Accumulated depreciation	Carrying value
Furniture and fixtures	53,328	(9,322)	44,006
Motor vehicles	825,494	(96,923)	728,571
Office equipment	4,572	(762)	3,810
IT equipment	107,919	(22,006)	85,913
Routers and handsets	8,595,136	(2,250,773)	6,344,363
	9,586,449	(2,379,786)	7,206,663

Reconciliation of property, plant and equipment - 2007

	Opening Balance	Additions	Depreciation	Total
Furniture and fixtures	-	53,328	(9,322)	44,006
Motor vehicles	-	825,494	(96,923)	728,571
Office equipment	-	4,572	(762)	3,810
IT equipment	-	107,919	(22,006)	85,913
Routers and handsets	-	8,595,136	(2,250,773)	6,344,363
	-	9,586,448	(2,379,786)	7,206,663

Pledged as security

Carrying value of assets pledged as security:

Motor vehicles	728,571
Pledged as security in terms of instalment sale obligations set out in note 9	

A register containing the information required by paragraph 22(3) of Schedule 4 of the Companies Act is available for inspection at the registered office of the company.

Notes to the Financial Statements

Figures in Rand		2007		
4. INTANGIBLE ASSETS				
	Cost/ Valuation	Accumulated depreciation	Carrying value	
Computer software	397,313	(88,413)	308,900	
Reconciliation of intangible assets - 2007				
	Opening Balance	Additions	Depreciation	Total
Computer software	-	397,313	(88,413)	308,900
5. OTHER FINANCIAL ASSETS				
Available for sale				
Unlisted Shares Valued at fair value			19	
Non-current assets				
Available for sale			19	
6. TRADE AND OTHER RECEIVABLES				
Trade receivables			10,505,202	
Other receivable			276,898	
			10,782,100	
7. CASH AND CASH EQUIVALENTS				
Cash and cash equivalents consist of:				
Bank balances			19,352,863	
Bank overdraft			(21,938)	
			19,330,925	
Current assets			19,352,863	
Current liabilities			(21,938)	
			19,330,925	

Notes to the Financial Statements



Figures in Rand	2007
8. SHARE CAPITAL	
Authorised	
500,000,000 Ordinary shares par value of R0,0001	50,000
Reconciliation of number of shares issued:	
Reported as at 01 October 2006	4,620,000
Issue of shares - ordinary shares	37,380,000
	42,000,000
458,000,000 unissued ordinary shares are under the control of the directors subject to the provisions of the Act, Rules and Requirements of the JSE.	
Issued	
Ordinary	4,200
Share premium	5,966,262
Share issue costs written off against share premium	(462,403)
	5,508,059
9. INSTALMENT SALE AGREEMENT OBLIGATIONS	
Minimum lease payment due	
- within one year	269,573
- in second to fifth year inclusive	469,672
Present value of minimum lease payments	739,245
Non-current liabilities	469,672
Current liabilities	269,573
	739,245

It is company policy to acquire certain motor vehicles under instalment sale agreements.

The average instalment sale agreement term was 2 and 3 years and the average effective borrowing rate was 10% to 12,4%.

Interest rates are linked to prime at the contract date. All instalment sale agreements have fixed repayments and no arrangements have been entered into for contingent rent.

The company's obligations under instalment sale agreements are secured by the lessor's charge over the financed assets. Refer note 3.

Notes to the Financial Statements

Figures in Rand	2007
10. DEFERRED TAX	
Accelerated capital allowances for tax purposes	75,798
Provisions for accrual	80,334
Provisions for leave pay	(35,652)
Provision for bad debts	(49,960)
	70,520
Reconciliation of deferred tax liability	
At beginning of year	-
Originating temporary difference on tangible fixed assets	75,798
Originating temporary differences on provisions	(5,278)
	70,520
11. TRADE AND OTHER PAYABLES	
Trade payables	15,195,785
VAT	571,348
Deposits received	36,290
	15,803,423
12. PROVISIONS	
Reconciliation of provisions	
Leave pay provision	
Opening balance	-
Raised during the year	122,939
Utilised during the year	-
	122,939
13. REVENUE	
Services rendered	150,708,587

Notes to the Financial Statements



Figures in Rand	2007
14. INVESTMENT INCOME	
Dividend revenue	
Financial institutions - Local	164,380
Interest revenue	
Banks - Local	137,752
Related party - Local	186,134
	323,886
	488,266
15. FINANCE COSTS	
Interest paid - instalment sale obligations	52,472
Interest paid - bank	1,646
	54,118
16. TAXATION	
Major components of the tax expense	
Current	
Income tax - current period	4,370,896
Deferred	
Originating temporary differences	70,520
	4,441,416
Reconciliation of the tax expense	
Reconciliation between applicable tax rate and average effective tax rate.	
Applicable tax rate	29.00 %
Exempt income	(0.31) %
Disallowable expenses	0.05 %
	28.74 %

Notes to the Financial Statements



Figures in Rand

2007

17. CASH GENERATED FROM OPERATIONS

Profit before taxation	15,454,941
Adjustments for:	
Depreciation and amortisation	2,468,199
Finance costs	54,118
Interest received	(323,886)
Dividends received	(164,380)
Changes in working capital:	
Trade and other receivables	(10,782,100)
Trade and other payables	15,926,362
	22,633,254

18. COMMITMENTS

Operating leases - as lessee (expense)

Minimum lease payments due - within one year	383,437
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Operating lease payments represent rentals payable by the company for certain of its office properties. Leases are negotiated annually and rentals are fixed for an average of 12 months. No contingent rent is payable.

19. CONTINGENCIES

The Company has a general contingency in respect of the Connection Incentive Bonuses received from the supplier in respect of new line activations. In terms of the contract with the supplier, in the event of cancellations by the company before the expiration date of the contract entered into between the Company and its supplier, part of the Connection Incentive Bonus received must be repaid to the supplier. No material losses are expected under these arrangements as no bonus amounts have been repaid in the year under review.

20. RELATED PARTIES

Entity in which member of key management has beneficial interest and has a common director:

• ME Moji	- Beneficial interest and common director	TeleMasters (Pty) Ltd
• MB Pretorius	- Common director	TeleMasters (Pty) Ltd
• MB Pretorius	- Beneficial interest and common director	Snowy Owl Properties 82 (Pty) Ltd
• MB Pretorius	- Beneficial interest and common director	Expectra Telephony Audits (Pty) Ltd
• IG Bekker	- Beneficial interest and common director	Expectra Telephony Audits (Pty) Ltd
• MB Pretorius	- Beneficial interest and common director	Expectra 51 (Pty) Ltd
• IG Bekker	- Beneficial interest and common director	Expectra 51 (Pty) Ltd

Notes to the Financial Statements

Figures in Rand	2007
Interest received from related parties	
TeleMasters (Proprietary) Limited	(186,134)
Rent paid to related parties	
Snowy Owl Properties 82 (Pty)Ltd	274,950
TeleMasters (Pty)Ltd	113,775
Commission paid to related parties	
Expectra Telephony Audits (Pty)Ltd	96,445
TeleMasters (Pty)Ltd	201,404
Expectra 51 (Pty)Ltd	79,618

21. DIRECTORS' EMOLUMENTS

Executive

2007	Fringe benefits	Bonus	Basic Salary	Total
For service as directors				
MB Pretorius	-	-	1,007,059	1,007,059
BR Topham	-	-	282,501	282,501
IG Bekker	-	-	288,794	288,794
Total			1,578,354	1,578,354

Non-executive

For services as directors

ME Moji	-	-	103,665	103,665
Total			103,665	103,665
Total			1,682,019	1,682,019

Notes to the Financial Statements



Figures in Rand

2007

22. EARNINGS AND HEADLINE EARNINGS PER SHARE

Earnings per share (cents)	26.95
Headline earnings per share (cents)	26.95

The above calculations were determined using the following information:

Earnings

Profit attributable to shareholders of the company	11,013,525
--	------------

Headline earnings

Earnings as above

Weighted number of ordinary share outstanding

	Number of shares issued 2007	Weighted average number of shares 2007
Shares as at 1 October 2006	4,620,000	4,620,000
Effect of shares issued in October 2006	34,440,000	34,440,000
Effect of shares issued in February 2007	2,940,000	1,793,000
Weighted average number of shares at 30 September 2007		40,853,000

23. COMPARATIVE FIGURES

No comparative figures have been presented as these are the first financial statements of the company.

24. RISK MANAGEMENT

Credit risk

Credit risk arises mainly as a result of cash deposits, cash equivalents and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Credit guarantee insurance is not purchased.

25. POST BALANCE SHEET EVENTS

The company is in preliminary discussions with various companies with the view to acquiring them or their businesses. At date hereof no formal agreements have been entered into.

TeleMasters in the press:



■ The revolution continues

IT Web • 28 Nov 2006

The telecoms sector is one of the few in the global economy that offers an ongoing, downward cost spiral to the user. Technological advances are so fast and frequent that, in theory, companies should be saving money, month on month, by re-defining their telecommunications infrastructure.

The theory, however, is difficult to translate into reality.

"Yes, the telecoms sector is unique in that the rate of change is so fast and so wide-reaching," says Mario Pretorius, Managing Director of telecommunications specialist, TeleMasters.

■ Choice of technology sees costs shrinking

Business Day • 28 Feb 2007

TELECOMMUNICATIONS is one of the few areas where costs are shrinking, and this is due to a greater choice of technology solutions and increased competition, says Mario Pretorius, CEO of TeleMasters.

He says today individuals and businesses can make low-cost national and international calls using Voice over IP (VoIP) through a service provider or making calls over the internet using a service like Skype. Industry estimates show there are 17million registered Skype users. Between 5-million and 9-million individuals make calls over the internet at any given time.

■ LCR firm makes ALT-x debut

Engineering Week • 13 March 2007

Shares in the latest newcomer to the JSE's alternative bourse for small to medium-sized companies, TeleMasters, jumped by almost 36%, to R2,20 a share, within the first hour of trade. TeleMasters, a specialist in cellular least-cost routing (LCR), made its debut on the AltX with an opening price of R1,62 a share. Shares reached a high of R2,60 a share during the day and closed at R2,50 a share.

■ TeleMasters Holdings

Financial Mail • 23 March 2007

Opportunities: LCR is big business in SA and should remain so in the short to medium term. "There is no real alternative yet and there won't be for a long time," says CEO Mario Pretorius.

■ TeleMasters doubles net profit

Business Report • 20 April 2007

Revenue grew 11 percent to R72.2 million. Earnings were boosted by a R1.5 million incentive from a supplier.

■ TeleMasters earnings leap 53,5% on improved conditions

Engineering News • 20 April 2007

Newly-listed TeleMasters, a distributor of cellular least-cost routing, reported a "better than expected" set of interim results on Thursday.

The company reported a 53,5% jump in earnings and headline earnings a share for the six months to March 31.

■ TeleMasters Travelling light

Financial Mail • 27 April 2007

If Mario Pretorius had his way, he would pay dividends on a monthly basis.

The CEO and founder of telecom company TeleMasters argues that if he can pay salaries and commissions every month, what's stopping the company from paying dividends monthly?

Pretorius says TeleMasters specialises in compiling information as quickly as possible, so it would be easy for the company to make these payments. "We are a 21st-century company. Information must be live and available," he says.

TeleMasters in the press:

■ TeleMasters feels acquisitive

IT Web • 16 May 2007

TeleMasters is in talks to make an acquisition, CEO Mario Pretorius confirmed yesterday.

The newly AltX-listed firm posted a cautionary announcement late yesterday morning, and Pretorius says: "We are sniffing around – and we're now at the point where we are negotiating."

■ TeleMasters hits R8m savings mark

IT Web • 15 June 2007

TeleMasters has announced a record-breaking R8 million in savings in telecoms costs for its customers over the month of April. Mario Pretorius, CEO of TeleMasters, holds the belief that telecoms is a downward spiralling cost, and plans to take advantage of what he terms the "telecoms revolution".

■ TeleMasters broadens scope

IT Web • 29 Aug 2007

In a strategy update to its investors, the company said: "LCR is only one aspect of the wider communications environment." It noted that companies focusing only on this element "may still be missing significant opportunities to create strong, long-term foundations for future business growth".

■ TeleMasters prepares to pay

IT Web • 7 Nov 2007

Newly-listed TeleMasters expects to pay a 12c dividend when it releases its annual results in the next two weeks.

In a notice to shareholders, the company this morning said the anticipated dividend was in line with expectations published in its pre-listing statement of 8 March.

3000 copies of this Annual Report was produced, printed and distributed for under R 40 000,00.
The design was done by Dancing Mouse Designs (www.dancingmouse.co.za) and it was printed by 4 Images Printers.
Please leave your comments and suggestions on how we can improve the Report on www.telemasters.iblog.co.za

Notice of Annual General Meeting

TeleMasters Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number 2006/015734/06)
Share code: TLM ISIN: ZAE000093324
("TeleMasters" or "the Company")

Notice is hereby given

That the annual general meeting of members of the company will be held in the Auditorium, JSE Limited, One Exchange Square, No 2 Gwen Lane, Sandown, Johannesburg, at 09:30 on 20 March 2008 for the following purposes:

1. To receive, consider, and if deemed fit adopt the annual financial statements of the company for the year ended 30 September 2007, including the Directors' Report and the Report of the Auditors' thereon.
2. To re-appoint MB Pretorius, ME Moji, IG Bekker and BR Topham as directors;
3. To approve the remuneration of the directors for the year ended 30 September 2007;
4. To approve the remuneration payable to the non-executive directors for the year ended 30 September 2007.
5. To authorise the directors to fix the remuneration of the auditors for the past year.
6. To re-appoint BDO Spencer Steward as auditors until the conclusion of the next annual general meeting.
7. To consider, and if deemed fit to pass the following resolutions as a Special Resolution:

Special Resolution No. 1 General authority to acquire own shares

"Resolved that the directors of the company be and are hereby authorised by way of general authority, to repurchase ordinary shares in the issued share capital of the company from time to time, subject to the Articles of Association of the Company, the provisions of sections 85 to 89 of the Companies Act (1973) as amended and in terms of the JSE Limited listing requirements, when applicable, and

- any such repurchase shall be implemented on the open market of the JSE and effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counter party;
- the company is authorised thereto by way of its articles of association;
- any such repurchase may not be made at a price higher than 10% above the weighted average market value for the shares for the five business days preceding the date on which the repurchase was agreed;
- the general authority is limited to a maximum of 20% of the company's issued share capital of that class at the time the authority is granted;
- a press announcement giving full details of such acquisitions, including the impact on net asset value and earnings per share, will be published as soon as the company has acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue at the time of the granting of the general authority;
- the general authority shall only be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 months from the date of passing of this special resolution number 1;
- the Company will be in a position to repay its debt in the ordinary course of business for the next 12 months.
- the ordinary capital and reserves of the Company will be adequate for the next 12 months;
- available working capital will be adequate to continue the operations of the Company and the Group for the next 12 months;
- the Company may not enter the market to proceed with the repurchase until the Company's Designated Advisor, River Group, has confirmed the adequacy of the Company's working capital for the purposes of undertaking a repurchase of shares in writing to the JSE;

Notice of Annual General Meeting

- the Company may only undertake a repurchase of securities if, after such repurchase, it still complies with paragraphs 3.37 to 3.41 of the JSE Listings Requirements concerning shareholder spread;
- the Company may not repurchase securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements;
- the Company may only appoint one agent to effect any repurchase(s) on its behalf.
- a repurchase of securities can only be made if the assets of the company will be in excess of the liabilities of the company for a period of 12 months after the date of the notice of the annual general meeting. For this purpose the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited annual financial statements.

Other disclosure in terms of the JSE Listings Requirements Section 11.26

The JSE Listings Requirements require the following disclosure, some of which is elsewhere in the annual report of which this notice forms part:

Directors and management	page 12
Major shareholders of	page 14
Directors interest in securities	page 13
Share capital of the Company	page 28

Litigation Statement

The Company is not aware of any legal or arbitration proceedings, including any proceedings that are pending or threatened that may have or had in the recent past, being at least the previous 12 months, a material effect on the group's financial position.

Directors' responsibility statement

The Directors, whose names are given on page 12 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this resolution and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this resolution contains all information required by law and the JSE Listings Requirements.

Material Change

Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of TeleMasters since the auditors signed off on the financials.

The Directors of the Company have no specific intention to effect the provisions of Special Resolution number 1 but will, however, continually review this position having regard to prevailing circumstances.

Reason for and effect of Special Resolution

The reason and effect for special resolution 1 is to authorise the Company by way of a general authority to acquire its own issued shares on such terms, conditions and such amounts determined from time to time by the Directors of the Company by the limitations set out above.

8. Ordinary Resolution No. 1 Unissued shares to be placed under the control of the directors

"THAT the authorised but unissued ordinary shares in the capital of the company be and are hereby placed under the control and authority of the directors of the company and that the directors be and are hereby authorised and empowered to allot and issue all or any such ordinary shares, to such person(s) on such terms and conditions and at such times as the directors may from time to time in their discretion deem fit, subject to the provisions of the Companies Act, 1973 (Act 61 of 1973), as amended, the Articles of Association of the company and the Listings Requirements of the JSE."

Notice of Annual General Meeting

9. Ordinary Resolution No. 2 General authority to issue shares for cash

"That the directors of the company and/or any of its subsidiaries from time to time be and are hereby authorised, by way of a general authority, to:

- allot and issue, or to issue any options in respect of, all or any of the authorised but unissued ordinary shares in the capital of the company; and/or
- sell or otherwise dispose of or transfer, or issue any options in respect of, ordinary shares in the capital of the company purchased by subsidiaries of the company;

for cash, to such person/s on such terms and conditions and at such times as the directors may from time to time in their discretion deem fit subject to the Companies Act (Act 61 of 1973), as amended, the Articles of Association of the company and its subsidiaries and the Listings Requirements of the JSE from time to time, which currently provide, inter alia, the following limitations:

- the securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- any such issue may only be made to public shareholders as defined in the JSE Listings Requirements and not to related parties;
- added to those that may be issued in future (arising from the conversion of options/convertibles) at the date of such application, less any ordinary shares issued or to be issued pursuant to a rights issue which has been announced, is irrevocable and is fully underwritten, or an acquisition which has had final terms announced;
- this general authority will be valid until the earlier of the company's next annual general meeting or expiry of a period of 15 (fifteen) months from the date that this authority is given;
- in determining the price at which an issue of ordinary shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE of the ordinary shares over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed to by the directors of the company; and
- when ever the company wishes to use ordinary shares, held as treasury stock by a subsidiary of the company, such use must comply with the JSE Listings Requirements as if such use was a fresh issue of ordinary shares."

Securities which are the subject of general issues for cash:

- in the aggregate in any one financial year may not exceed 50% of the company's relevant number of equity securities in issue of that class;
- of a particular class, will be aggregated with any securities that are compulsorily convertible into securities of that class, and in the case of the issue of compulsorily convertible securities,, aggregated with the securities of that class into which they are compulsorily convertible;
- as regards the number of securities which may be issued (the 15% number), shall be based on the number of securities of that class in issue added to those that may be issued in future (arising from the conversion of options/convertible securities), at the date of such application;
- less any securities of the class issued, or to be issued in future arising from options/convertible securities issued, during the current financial year;

Notice of Annual General Meeting

plus any securities of that class to be issued pursuant to:

- a rights issue which has been announced, is irrevocable and is fully underwritten; or
- acquisition (which has had final terms announced) may be included as though they were securities in issue at the date of application.

After the company has issued equity securities in terms on an approved general issue for cash representing, on a cumulative basis within a financial year, 5% or more of the number of equity securities in issue prior to that issue, the company shall publish an announcement containing full details of the issue, including:

- the number of securities issued;
- the average discount to the weighted average traded price of the equity securities over the 30 days prior to the date that the price of the issue was determined or agreed by the directors of the company; and
- the effects of the issue on net asset value per share, net tangible asset value per share, earnings per share, headline earnings per share, and, if applicable, diluted earnings and headline earnings per share.

In respect of options and convertible securities granted/issued for cash:

- Where options or convertible securities, excluding executive and staff share schemes, are granted/issued for cash, such options/convertible securities issued otherwise than to existing holders of equity securities in proportion to their existing holdings, will be permitted in respect of a specific issue of such options/convertible securities provided specific approval is obtained for such grant/issue in terms of the Listings Requirements; and
- If the discount to the market price at the time of exercise of the option or conversion of the convertible security is not known at the time of grant/issue of the option or convertible security, or if it is known that the discount will exceed 10% of the 30 day weighted average traded price of the security at the date of exercise, then the grant/issue will be subject to the issuer providing its holders of securities with a fair and reasonable statement complying with Schedule 5 of the JSE Listings Requirements.

The reason for ordinary resolution No.2 is to enable the Company to raise funds for various projects during the year as and when required and as allowed by the JSE Listings Requirements.

In terms of the JSE Listings Requirements, Ordinary Resolution No. 2 must be passed by a 75% majority of the votes cast in favour of the resolution by all members present or represented by proxy at the annual general meeting.

10. Ordinary Resolutions No. 3 Authority to execute requisite documentation

"THAT any director of the company or the company secretary be and hereby is authorised to do all such things and sign all such documents issued by the company and required to give effect to the special resolutions and ordinary resolution numbers 1-3."

11. To transact such other business that may be transacted at an annual general meeting.

Action required

Voting and proxies

A member entitled to attend and vote at the annual general meeting is entitled to appoint one or more proxies to attend and vote in his/her stead, subject to the general instructions attached to this notice. Any proxy so appointed need not be a member of the company. Proxy forms must be received at the registered office of the company not less than 48 hours before the date of the meeting.

For the convenience of registered members of the company, a form of proxy is enclosed herewith.

Notice of Annual General Meeting

The attached form of proxy is only to be completed by those ordinary shareholders who:

- Hold ordinary shares in certificate form; or
- Are recorded on the sub-register in "own name" dematerialised form.

Ordinary shareholders who have dematerialised their ordinary shares through a CSDP or broker without "own name" registration and wish to attend the annual general meeting, must instruct their CSDP or broker to provide them with the relevant Letter of Representation to attend the meeting in person or by proxy and vote. If they do not wish to attend in person or by proxy, they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

Proxy forms must be received at the office of the company at least 4 hours, excluding Saturdays, Sundays and public holidays, before the time of the annual general meeting.

By order of the Board

Secretary
Registered office

General Instructions

All shareholders are encouraged to attend the annual general meeting of the company.

1. All registered shareholders of ordinary shares ("shares") in the company are entitled to attend, speak and vote at the annual general meeting.
2. Please note that the company has moved to the JSE Limited's electronic settlement systems Shares Totally Electronic ("STRATE"). If you are a dematerialised shareholder (i.e. you have replaced your paper share certificates with electronic records of ownership under STRATE) and are not an own name dematerialised shareholder, then:

If you wish to attend the annual general meeting you should contact your Central Security Depository Participant ("CSDP") or broker, as the case may be, and obtain the relevant letter of representation from them. The letter of representation must be obtained within the time period required by your CSDP or broker, as the case may be, and allow them sufficient time to provide such letter to the company secretary prior to the annual general meeting;

or, alternatively,

If you are unable to attend the annual general meeting, you must contact the CSDP or broker, as the case may be, and furnish them with your voting instructions in respect of the annual general meeting in accordance with the mandate between yourself and the CSDP or broker, as the case may be. You should not complete the attached form of proxy. If your CSDP or broker does not obtain voting instructions from you in respect of the annual general meeting, it will be obliged to act in terms of your mandate. The instructions must be provided within the time period required by your CSDP or broke, as the case may be.

If you hold certificated shares (i.e. you have not dematerialised your shares in the company) or are an own name dematerialised shareholders, then:

You may attend and vote at the annual general meeting;

or, alternatively

You may appoint a proxy to represent you at the annual general meeting by completing the attached form of proxy and returning it to the registered office of the company by no later than 48 hours prior to the commencement of the meeting.



TeleMasters Holdings Limited ▶ (Incorporated in the Republic of South Africa)
 Registration number 2006/015734/06 ▶ Share code: TLM ISIN: ZAE000093324
 ("TeleMasters" or "the Company")

Form of Proxy

For the sole use by the following holders of ordinary shares in the company at the annual general meeting of the company, to be held in the Auditorium, JSE Limited, One Exchange Square, No 2 Gwen Lane, Sandown, Johannesburg, at 09:30 on 20 March 2008 and at any adjournment thereof.

Certificated shareholders; and CSDP nominee companies, brokers' nominee companies and dematerialised shareholders who have elected "own name" registrations.

Forms of proxy must be completed and delivered to the transfer secretaries, Computershare Investor Services 2004 (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2170) to be received by not later than 10:00 on 19 March 2008.

I/We (BLOCK LETTERS please)

of (address)

Telephone work

Telephone home

Being the holder/custodian of

ordinary shares in the company, hereby appoint

1. or failing him,

2. or failing him,

3. the chairman of the meeting

as my/our proxy to attend and speak out and, on a poll, vote for me/us on my/our behalf at the annual general meeting of the company to be held for the purpose of considering and, if deemed fit, passing the resolutions to be proposed thereat and at each adjournment thereof, and to vote for and/or against and/or abstain from voting in respect of the ordinary shares in the issued share capital of the company registered in my/our name/s in accordance with the following instructions:

	FOR	AGAINST	ABSTAIN
1. Adoption of the annual financial statements			
2a. To re-elect MB Pretorius as a director			
2b. To re-elect ME Moji as a director			
2c. To re-elect IG Bekker as a director			
2d. To re-elect BR Topham, as a director			
3. To approve the remuneration payable to the directors			
4. To approve the remuneration payable to the non-executive directors			
5. To authorise the directors to fix the remuneration of the auditors			
6. To approve the re-appointment of the auditors			
7. Special resolution - General authority to acquire own shares			
8. Ordinary resolution 1 - Unissued shares placed in director's control			
9. Ordinary resolution 2 - General authority to issue shares for cash			
10. Ordinary resolution 3 - Authority to execute requisite documentation			

Please indicate instructions to proxy in the space provided above by the insertion therein of the relevant number of votes exercisable.)

A member entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend, speak and, on a poll, vote in his stead. A proxy so appointed need not be a member of the company.

Signed at _____ on _____ 2008

Signature _____

Assisted by (if applicable) _____

Please read the notes on the reverse side of this form of proxy.



Notes

A shareholder may insert the name of the proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting "the chairman of the meeting". The person whose name stands first on this form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of shares to be voted on behalf of that member in the appropriate space provided. Failure to comply with the above will be deemed to authorise the proxy or the chairman of the annual general meeting, if the chairman of the annual general meeting is the authorised proxy, to vote or to abstain from voting at the annual general meeting as the chairman of the annual general meeting deems fit, in respect of all the shares concerned. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or his/her proxy, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable, the chairman will reduce the numbers entered in each of the three columns pro rata in order to reduce the total to the number exercisable as reflected in the company's share register as at the closing time for the acceptance of the proxies.

Forms of proxy must be lodged at, or posted to the company's transfer secretaries, Computershare Investor Services 2004 (Pty) Ltd, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) Call Centre Number: 0861 100 634 to reach them by no later than 10:00 on 19 March 2007.

The completion and lodging of this form will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries of the company or waived by the chairman of the annual general meeting.

Any alteration or correction made to this form of proxy must be initialed by the signatory/ies.

A minor must be assisted by his/her parents or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries of the company.

The chairman of the annual general meeting may reject or accept a form of proxy which is completed and/or received, other than in accordance with these notes, if the chairman of the annual general meeting is satisfied as to the manner in which a shareholder wishes to vote.

Certificated own name registered dematerialised shareholders

If you are unable to attend the annual general meeting of TeleMasters Limited to be held in the Auditorium, JSE Limited, One Exchange Square, No2 Gwen Lane, Sandown, Johannesburg, at 09:30 on 20 March 2008.

And wish to be represented thereat, you must complete and return this form of proxy in accordance with the instructions contained herein and lodge it with, or post it to, the transfer secretaries, namely Computershare Investor Services 2004 (Pty) Ltd, detailed in Note 3 above, received by them by no later than 10:00 on 19 March 2007.

Dematerialised shareholders

If you hold dematerialised shares in TeleMasters through a CSDP or broker and do not have an "own-name" registered dematerialised registration, you must timeously advise your CSDP or broker of your intention to attend and vote at the annual general meeting or be represented by proxy thereat in order for your CSDP or broker to provide you with the necessary authorization to do so, or should you not wish to attend the annual general meeting in person, you must timeously provide your CSDP or broker with your voting instructions in order for the CSDP or broker to vote in accordance with your instructions at the annual general meeting.



Reg 2006/015734/06

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