



**TeleMasters Holdings Limited**  
(Registration number 2006/015734/06)

**Consolidated Annual Financial Statements  
for the year ended 30 June 2023**

Nexia SAB&T  
Registered Auditors

These Consolidated Annual Financial Statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.

# TeleMasters Holdings Limited

(Registration number 2006/015734/06)

Consolidated Annual Financial Statements for the year ended 30 June 2023

## General Information

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<b>Country of incorporation and domicile</b>	South Africa
<b>Nature of business and principal activities</b>	Telemasters delivers full telecommunications, internet connectivity, cloud solutions and data storage to businesses across South Africa.
<b>Directors</b>	MB Pretorius DJ Bate WF Steinberg M Tappan JM Voigt BR Topham MJ Krastanov
<b>Registered office and business address</b>	Building 2 ATT House Maxwell Office Park Magwa Crescent Waterfall City 2090
<b>Postal address</b>	Postnet Suite 51 Private Bag X81 Halfway House Gauteng 1685
<b>Bankers</b>	First National Bank
<b>Auditors</b>	Nexia SAB&T Registered Auditors
<b>Secretary</b>	S Ramirez-Victor
<b>Company registration number</b>	2006/015734/06
<b>Tax reference number</b>	9683978143
<b>Level of assurance</b>	These Consolidated Annual Financial Statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.
<b>Preparer</b>	The Consolidated Annual Financial Statements were independently compiled by: T Kritsiotis Chartered Accountant (SA)

# TeleMasters Holdings Limited

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## Audit Committee Report

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### Introduction

The Audit & Risk Committee (“Committee”) is an independent statutory committee appointed on an annual basis by Shareholders at the AGM in accordance with section 94 of the Companies Act, 71 of 2008 (“Companies Act”). This report considers the statutory and delegated duties of the Committee as well as the Committee’s responsibilities in terms of the JSE Listings Requirements and the King IV Code on Corporate Governance (“King IV”).

The Audit & Risk Committee’s primary role is to assist the Board to discharge its corporate governance and oversight responsibilities by ensuring:

- the integrity of the Group’s financial and corporate reporting;
- adequate systems of internal control are in place regarding financial risk; and
- internal control systems are operating effectively.

The Committee exercises its functions through close liaison and communication with management and external auditors and has an independent role with accountability to both the Board and Shareholders. The Committee does not assume the functions of management which remain the responsibility of the Executive Directors, officers and other members of senior management.

### Terms of reference

The Audit & Risk Committee has adopted formal terms of reference dealing with membership, structure and levels of authority which are approved by the Board and reviewed and updated as deemed necessary by the Committee and the Board. Minor changes were adopted during the financial year under review. The roles and responsibilities of the Committee have been fully addressed in Paragraph 4.1 of the Corporate Governance Report included in this Integrated Annual Report. The Committee has explicit authority to investigate any matter under its terms of reference and has access to all the resources and information it requires in order to act on this authority. The Committee is satisfied that, in respect of the year under review, it has discharged its duties in accordance with its terms of reference and has complied with its legal and regulatory responsibilities.

### Composition and governance

The Board is satisfied that the members of the Committee satisfy the requirements to serve as members of the audit committee as set out in Section 94(5) of the Companies Act 71 of 2008 and Regulation 42 of the Companies Regulations, 2011 and have adequate knowledge and experience to perform their duties. All members of the Committee are independent non-executive directors.

The composition of the Committee and attendance of meetings by its members for the 2023 financial year are set out below:

Name	Number of meetings	Number of meetings attended
Krastanov, Michelle - appointed 20 September 2023	-	-
Smith, Talana (Chairperson) - resigned 3 August 2023	5	5
Bate, David John*	5	4
Steinberg, Willem Frederik	5	4
Tappan, Mariette	5	5

\* Appointed as interim Chairperson of the Committee effective 4 August 2023.

Subsequent to the year end, MJ Krastanov was appointed to the board with effect from 20 September 2023 and has been appointed as the Chairperson of the Committee.

Biographies of Committee members are set out in the Integrated Annual Report under the Directors’ Profile section.

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## Audit Committee Report

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The Chief Financial Officer, all other Directors of the Company, the external audit partner and a representative of the Company's designated advisor are invited to attend all Committee meetings but are not eligible to vote. The majority of members of the Committee are financially literate.

Five Audit & Risk Committee meetings were held during the year under review, aligned with the committee's annual work plan and key reporting timelines. The key focus areas of these meetings were:

- the financial performance of the Group;
- the review of interim and annual financial statements of the Group and the related JSE announcements;
- confirmation of the solvency and liquidity of the Group;
- considering and recommending, if appropriate, the payment of quarterly dividends to the Board;
- confirming the independence of the external auditors, review of the external audit plan and recommendation of the approval of audit fees by the Board;
- maintaining oversight of the external audit process;
- maintaining oversight of the risk management process including a review of the risk management framework and risk registers;
- maintaining oversight over IT Governance;
- confirming the Group's compliance with laws and regulations;
- reviewing the adequacy of directors' liability insurance;
- reviewing and responding to JSE correspondence arising from the pro-active monitoring of financial statements process implemented by the JSE;
- reviewing significant accounting considerations and key audit matters in respect of the external audit for the year ended 30 June 2023;
- assessing the adequacy of the Group's finance function; and
- assuring that the tax matters of the Group are being looked after.

### External audit

The Audit & Risk Committee:

Satisfied itself in terms of Paragraph 3.84(g)(iii) of the JSE Listings Requirements that Nexia SAB&T and the designated individual audit partner, Mr Johandre Engelbrecht, were suitable for appointment, having requested and considered the information detailed in Paragraph 22.15(h) of the JSE Listings Requirements, and that both Nexia SAB&T and Mr Johandre Engelbrecht remained accredited in terms of the JSE Listings Requirements;

Received written confirmation from Nexia SAB&T that they are independent of the Group and that the criteria for independence as set out in the rules of IRBA and international bodies have been followed. The Committee is accordingly satisfied that Nexia SAB&T is independent of the Group;

Recommended to shareholders that Nexia SAB&T be appointed as independent external auditors for the Company and its subsidiaries and the appointment of Mr Johandre Engelbrecht as the independent designated auditor for the Company for the financial year ended 30 June 2023 in compliance with Companies Act and the Listings Requirements of the JSE Limited;

Approved the external audit engagement letter detailing the scope and cost of the audit;

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## Audit Committee Report

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Confirmed the pre-approval authorisation process for any services that the external auditor may provide and that the external auditor did not perform any non-audit services to the Group other than the assistance with the submission of income tax returns to the South African Revenue Service;

Concurred that the adoption of the going concern premise in the preparation of the Annual Financial Statements was appropriate;

Considered the tenure of Nexia SAB&T, which has now completed its tenth year as auditors, noting that the financial year ending 30 June 2023 would have been the last year that Nexia SAB&T could have accepted appointment as the Company's auditors with the implementation of the rule on mandatory audit firm rotation, which has since been ruled *ultra vires*;

Accordingly, and having reviewed the results of the most recent Independent Regulatory Board of Auditors (IRBA), International Standard on Quality Control (ISQC) 1, engagement inspection of Nexia SAB&T and all audit engagement partners that will be involved with the Group audit for the 2024 financial year, including the designated individual auditor, Mr. Johandre Engelbrecht, and satisfied itself that there are no current material matters that have not been addressed by Nexia SAB&T, the Committee has nominated, for approval at the AGM, the reappointment of Nexia SAB&T as registered auditors for the 2024 financial year. The Committee will consider the appointment of the replacement audit firm, post 2024 in terms of the mandatory rotation requirements, after reviewing proposals from other audit firms, bearing in mind the recent retirement of the former financial director.

### Accounting practices and key audit matters

The Committee satisfied itself that the accounting policies and the annual financial statements of the Group for the year ended 30 June 2023 are compliant with provisions of IFRS, the Companies Act and the JSE Listings Requirements and considered these in light of the findings of the JSE's Report Back on the Proactive Monitoring of Financial Statements.

The Committee furthermore considered the following key and significant audit matters identified in respect of the financial year ended 30 June 2023:

- Revenue recognition due to the large number of subscription clients with varying contractual terms and services;
- Impairments of goodwill and intangible assets with an indefinite useful life;
- Judgement related to the recognition and recoverability of deferred tax assets originating from tax losses against future taxable profits;
- Allowance for expected credit losses in accordance with IFRS 9;
- Risk of management overriding controls;
- Determining of existence, appropriate useful lives and residual values of items of property, plant and equipment, right-of-use assets and intangible assets, taking into account their current condition, remaining economic life and realisable value at the conclusion of use;
- Estimation uncertainties and inherent complexities in determining the deferred vendor liabilities associated with the contingent consideration payable to previous owners of subsidiaries acquired; and
- Transactions with related parties and related party disclosures.

### Financial and internal controls

The Group has established and maintains internal controls and procedures to manage significant risks and control deficiencies identified by management or the external auditors. These controls, which are reviewed on a regular basis, provide reasonable assurance against the possibility of material financial or internal control failures.

The Committee is satisfied that the Group has optimized the assurance coverage obtained from management and external assurance providers in accordance with a combined assurance model and that the size of the business and the established internal control system do not warrant a separate full-time internal audit function. The Committee is also satisfied that the combined assurance model and related systems and procedures enables an effective internal control environment that supports the integrity of internal and external reports.

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## Audit Committee Report

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Based on its continuous review of the design, implementation and effectiveness of TeleMasters' systems of internal financial controls and on reports from management and the external auditors on the results of the audit, the Committee is satisfied that the Group's systems of internal financial controls are effective and form a basis for the preparation of reliable financial statements. No findings have come to the attention of the Committee that would indicate a material breakdown in internal controls during the year under review.

### Evaluation of the Chief Financial Officer and the finance function

The Audit & Risk Committee evaluated the appropriateness of the expertise and experience of Mr Topham prior to his appointment and has subsequently reviewed his performance and confirmed his continued suitability and that his expertise and experience is appropriate to meet the responsibilities of the position.

The Committee is constantly evaluating the appropriateness, expertise and adequacy of resources of the Group's financial function and the effectiveness of the senior members of management responsible for the finance function.

### Consolidated Annual Financial Statements

The Committee reviewed the external audit scope, plans and findings as well as internal management reports to determine the effectiveness of management systems and internal controls during the year. The Committee continued to monitor key risks identified and their mitigation and how subsidiaries are performing to achieve the Group's strategy and satisfied itself that the accounting policies and financial statements of the Group are appropriate and comply with IFRS, the JSE Listings Requirements and the requirements of the Companies Act.

In its consideration of the Consolidated Annual Financial Statements, the Committee reviewed the following:

- The quality and integrity of the Integrated Annual Report;
- The financial statements and announcements in respect of the results;
- The appointment, remuneration, independence and performance and of the external auditors and the audit process, including the approval of non-audit services by the external auditor;
- The effectiveness of risk management and controls;
- Internal financial controls and systems;
- Sustainability issues;
- IT governance; and
- Compliance governance.

### Committee statement

After review and consideration of feedback received from management and the external auditor the Committee has resolved that the financial records may be relied upon as the basis for preparation of the Consolidated Annual Financial Statements.

The Committee has considered and discussed the Consolidated Annual Financial Statements and associated reports with both management and the external auditors. During this process, the Committee, *inter alia*:

- Evaluated significant judgments and reporting decisions;
- Determined that the going-concern basis of reporting is appropriate;
- Evaluated the material factors and risks that could impact on the Annual Financial Report and associated reports;
- Considered the findings of the JSE's Report Back on the Proactive Monitoring of Financial Statements, where applicable;

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## Audit Committee Report

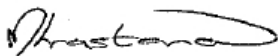
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- Evaluated the completeness of the financial and sustainability discussion and disclosures and is satisfied that the Group has established appropriate financial reporting procedures and that those procedures are operating in accordance with Paragraph 3.84(g)(ii) of the JSE Listings Requirements;
- Discussed the treatment of significant and unusual transactions with management and the external auditors;
- Considered the internal controls and systems designed to provide assurance as to the reliability and integrity of the financial statements, noting that the system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve the Group's business objectives;
- In conjunction with other Board Committees, considered the non-financial information disclosed in the Integrated Annual Report and assessed its consistency with operational and other information known to the Audit & Risk Committee members; and
- Considered the external auditor's report and is satisfied that the information is reliable and consistent with the financial results.

The Committee considers that the Consolidated Annual Financial Statements comply in all material respects with the statutory requirements of the various laws and regulations governing disclosure and reporting in the Consolidated Annual Financial Statements and that the Consolidated Annual Financial Statements comply in all material respects with IFRS, the SAICA Financial Reporting Guides and Financial Reporting Pronouncements as well as the requirements of the Companies Act and the JSE Listings Requirements.

The Committee has recommended to the Board that the Consolidated Annual Financial Statements be adopted and approved by the Board.

**On behalf of the Audit & Risk Committee:**



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M Krastanov  
Chairperson Audit & Risk Committee

**29 September 2023**

On behalf of the audit committee



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## Directors' Responsibilities and Approval

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

The Consolidated Annual Financial Statements are prepared in accordance with International Financial Reporting Standards and the JSE Listings Requirements and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group 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 Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimize 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 Consolidated Annual 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 Group's cash flow forecast and, in light of this review and the current financial position, they are satisfied that the Group has or had access to adequate resources to continue in operational existence for the foreseeable future.

The Consolidated Annual Financial Statements have been audited by the independent auditing firm, Nexia SAB&T, who have been given unrestricted access to all financial records and related data, including minutes of all meetings of Shareholders, the Board of Directors and Committees of the Board. The auditors report is presented on pages 15 to 18.

The Consolidated Annual Financial Statements set out on pages 19 to 63, which have been prepared on the going concern basis, were approved by the board of directors on 29 September 2023 and were signed on their behalf by:

### Approval of the Consolidated Annual Financial Statements



JM Voigt



BR Topham

# TeleMasters Holdings Limited

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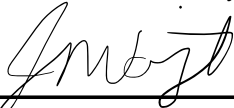
Consolidated Annual Financial Statements for the year ended 30 June 2023

## CEO and FD Responsibility Statement on Internal Financial Controls

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In terms of section 3.84(k) of the JSE Listings Requirements, the directors, whose names are stated below, hereby confirm that:

- a) the Consolidated Annual Financial Statements set out on pages 19 to 63, fairly present in all material respects the financial position, financial performance and cash flows of the Group in terms of IFRS;
- b) to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the Consolidated Annual Financial Statements false or misleading;
- c) internal Financial Controls have been put in place to ensure that material information relating to the Group has been provided to effectively prepare the Consolidated Annual Financial Statements of the Group;
- d) the Internal Financial Controls are adequate and effective and can be relied upon in compiling the Consolidated Annual Financial Statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;
- e) where we are not satisfied, we have disclosed to the Audit and Risk Committee and the external auditors any deficiencies in design and operational effectiveness of the Internal Financial Controls and have remediated the deficiencies; and
- f) we are not aware of any fraud involving directors.



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**JM Voigt**  
Chief Executive Officer

29 September 2023



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**BR Topham**  
Chief Financial Officer

29 September 2023

## **TeleMasters Holdings Limited**

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### **Declaration by Company Secretary**

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The Company Secretary certifies that the Group has lodged with the Companies and Intellectual Property Commission all such returns as are required by a public company in terms of Section 88(2)(e) of the Companies Act, as amended, and that all such returns are true. The Company Secretary certifies that the Group has lodged with the Companies and Intellectual Property Commission all such returns as are required by a public company in terms of Section 88(2)(e) of the Companies Act, as amended, and that all such returns are true, correct and up to date to the extent that the Company Secretary has been informed.



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**S Ramirez-Victor**  
**Company Secretary**  
**29 September 2023**

# TeleMasters Holdings Limited

(Registration number 2006/015734/06)

Consolidated Annual Financial Statements for the year ended 30 June 2023

## Directors' Report

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The Directors have pleasure in submitting their report on the Consolidated Annual Financial Statements of TeleMasters Holdings Limited and its subsidiaries (the Group) for the year ended 30 June 2023.

### 1. Review of financial results and activities

TeleMasters Holdings is a diversified technology investment company. Entities within the Group are complementary towards each other with a key focus on enhancing digital transformation, empowering next generation interconnectivity and accelerating smart working environments. The vision of the Group is to create and accelerate shareholder value through responsible growth, acquisitions and investments with focus on technology.

Full details of the financial position, results of operations and cash flows of the Group are set out in these Consolidated Annual Financial Statements.

### 2. Authorised and issued share capital

The authorised and issued share capital as at 30 June 2023 is set out in note 13 of these Consolidated Annual Financial Statements.

As at 30 June 2023, there were 57 482 830 issued ordinary shares and 442 517 170 unissued ordinary shares. The unissued ordinary shares are under the control of the Directors subject to the provisions of the Companies Act and the JSE Listings Requirements.

During the period under review:

- The Company issued an additional 1 223 160 shares at 85.33 cents, and an additional 500 000 shares at 70.73 cents, in final settlement of the earn-out consideration payable to vendors for the acquisition of Contineo Virtual Communications (Pty) Ltd ("Contineo") and Perfectworx Consulting (Pty) Ltd ("Perfectworx"); and
- A wholly owned subsidiary of the Company purchased 67 868 shares in the Company for an average purchase price of 113.02 cents per share as part of the Group's share repurchase programme. These shares are being held as treasury shares.

There have been no changes to the authorised share capital during the year under review.

### 3. Dividends

The Board does not link the payment of dividends primarily to the current year's operating results but considers dividends in relation to the Group's reserves of R21.9 million at 30 June 2023 (R22.1 million as at 30 June 2022) and cash generated by operations. The Board considers the working capital requirements of the Group for the next 12-month period, among other considerations, when determining any dividend. The Board considers the payment of dividends to be a significant reason why shareholders invest in the Group and regards the principle of paying quarterly dividends as important. The payment of a dividend is accordingly considered on a quarterly basis.

The following dividends were declared during the period under review:

- Dividend number 57 of 0.5 cents per share was declared on 30 September 2022 and paid to all shareholders recorded in the share register of the Company at the close of business on 21 October 2022;
- Dividend number 58 of 0.25 cents per share was declared on 20 December 2022 and paid to all shareholders recorded in the share register of the Company at the close of business on 13 January 2023;
- Dividend number 59 of 0.10 cents per share was declared on 31 March 2023 and paid to all shareholders recorded in the share register of the Company at the close of business on 21 April 2023; and

During the comparative year ended 30 June 2022, the Group declared four dividends totalling 3.10 cents per share.

# TeleMasters Holdings Limited

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## Directors' Report

### 4. Directorate

The Directors in office during the year and at the date of this report are as follows:

Directors	Nationality	Changes
MB Pretorius	South African	
DJ Bate	Canadian	
JL Roos	South African	Retired 21 June 2023
WF Steinberg	South African	
M Tappan	South African	
JM Voigt	South African	
T Smith	South African	Resigned 03 August 2023
BR Topham	South African	Appointed 01 June 2023
MJ Krastanov	South African	Appointed 20 September 2023

### 5. Interest of directors and officers in the company securities

During the financial year, no contracts were entered into which Directors or officers of the company had an interest and which significantly affected the business of the company. Related party transactions are disclosed in note 29 of the consolidated annual financial statements.

#### Interest in shares

Directors	2023 Direct	2022 Direct	2023 Indirect	2022 Indirect
MB Pretorius	-	-	35 700 000	35 700 000
M Tappan	17 080	17 080	-	-
JM Voigt	8 611 006	7 479 426	-	-
BR Topham	643 228	-	-	-
	<u>9 271 314</u>	<u>7 496 506</u>	<u>35 700 000</u>	<u>35 700 000</u>

#### Transactions by Directors in the market during the period

Directors	2023 Direct	2022 Direct
JM Voigt	1 131 580	20 000
M Tappan	-	(32 920)
	<u>1 131 580</u>	<u>(12 920)</u>

Mr JM Voigt received an additional 1 111 580 shares in the Company in settlement of the purchase consideration payable for the acquisition of Contineo Virtual Communications (Pty) Ltd ("Contineo") and Perfectworx Consulting (Pty) Ltd.

There were no other changes in the interests of directors in the Company between the end of the financial year and the date of approval of the Consolidated Annual Financial Statements.

# TeleMasters Holdings Limited

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Consolidated Annual Financial Statements for the year ended 30 June 2023

## Directors' Report

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### 6. Subsidiary companies

The Group holds 100% of the voting rights and issued shared capital in the following subsidiaries:

Subsidiary	Total comprehensive income (loss) for the year	
	2023	2022
Catalytic Connections (Pty) Ltd	(R369 008)	(R2 400 548)
Spice Telecom (Pty) Ltd	(R14 891)	(R15 909)
Contineo Virtual Communications (Pty) Ltd	(R146 528)	R510 346
PerfectWorx Consulting (Pty) Ltd	R310 801	R163 697
Ultra DataCentre (Pty) Ltd	R646 213	(R353 377)

All subsidiaries are incorporated in the Republic of South Africa and the nature of their business is the provision of telecommunications & internet services, similar to that of its parent.

### 7. Borrowing powers

In terms of the Memorandum of Incorporation of the Company, the Directors may exercise all the powers of the Company to borrow money as they consider appropriate.

### 8. Special resolutions

At the Company's Annual General Meeting held on 9 December 2022, the following special resolutions were passed:

- Non-Executive Directors' remuneration for the year commencing from 1 July 2022 was approved by the Shareholders;
- A general authority to enter into funding agreements, provide loans or other financial assistance in terms of Sections 44 and 45 of the Companies Act of South Africa was granted; and
- A general authority to repurchase shares in terms of section 48 of the Companies Act.

### 9. Events after the reporting period

Other than that disclosed below, the Directors are unaware of any significant adjusting or disclosable events that have occurred between the end of the financial year and the date of this report that may materially affect the Group's results for the year under review or its financial position as at 30 June 2023:

- Dividend number 60 of 0.1 cents per share was declared on 13 July 2023 and paid to all shareholders recorded in the share register of the Company at the close of business on 4 August 2023.
- MJ Krastonov was appointed to the Board of Directors with effect from 20 September 2023 and has been appointed as the Chairperson of the Committee.

### 10. Going concern

The directors have evaluated the Group's solvency and liquidity position and draw attention to the fact that as at 30 June 2023, the Group's current liabilities exceeded its current assets by R1 485 053 (2022: R2 391 961).

The Directors believe that the Group has adequate financial resources to continue in operation for the foreseeable future and accordingly the Consolidated Annual Financial Statements have been prepared on a going concern basis. The Directors have satisfied themselves that the Group is in a sound financial position and that it has access to sufficient shareholder loan facilities available to meet its foreseeable cash requirements.

The Directors are not aware of any new material changes that may adversely impact the Group. The Directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Group.

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Consolidated Annual Financial Statements for the year ended 30 June 2023

## Directors' Report

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### 11. Litigation statement

The Group continues to pursue litigation and attendant matters in respect of a material bad debt recoverable from a customer.

Other than above there are currently no legal or related proceedings against the Group, of which the Board is aware, which may have or have had in the 12 months preceding the date of this report, a material effect on the consolidated position of the Group.

### 12. Auditors

Nexia SAB&T acted as the Group's Auditors for the period ended 30 June 2023 and will be nominated to continue in office in accordance with Section 90 of the Companies Act, as amended, for re-appointment at the Annual General Meeting. The independence and remuneration of the Auditors was confirmed by the Audit & Risk Committee.

### 13. Secretary

The company secretary is Mrs S Ramirez-Victor.

Postal address: PO Box 68255  
Highveld Park  
Irene  
0169

Business address: Building 2 ATT House  
Maxwell Office Park  
Magwa Crescent  
Waterfall City  
2090

### 14. Major and public shareholders

Details of the major shareholders are provided in Note 14 of the Consolidated Annual Financial Statements.

### 15. Separate financial statements

The financial results, position and cash flows of TeleMasters Holdings Limited are not presented in these Consolidated Annual Financial Statements. These Consolidated Annual Financial Statements include only the consolidated results, position and cash flows of the Group.

The Annual Financial Statements of TeleMasters Holdings Limited, the Company, is available on the Group's website.

### 16. Composition of the Board and other Committees

The Directors' designations, responsibilities and other key information, as well as the responsibilities and Committee composition for each Director, are fully disclosed in the Corporate Governance Report included in the Integrated Annual Report.

The composition of the Board Committees, as well as the attendance of the Directors and the Committee meetings, is fully disclosed in the Corporate Governance Report.

**INDEPENDENT AUDITOR’S REPORT**

To the Shareholders of TeleMasters Holdings Limited

**Report on the Audit of the Consolidated Financial Statements**

**Opinion**

We have audited the consolidated financial statements of TeleMasters Holdings Limited and its subsidiaries (the Group) set out on pages 19 to 63, which comprise the consolidated statement of financial position as at 30 June 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2023, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors’ *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
<p><b>Goodwill impairment</b></p> <p>The Group recognised goodwill in the amount of R23 million (2022: R23 million) as disclosed in note 5 to the consolidated financial statements. The directors are required to perform an annual impairment test on the recoverability of goodwill. The directors performed their assessment using discounted cash flow models to determine the value</p>	<p>As part of our response to this key audit matter, we:</p> <ul style="list-style-type: none"> <li>• Evaluated the determination of the cash generating units and confirmed the application thereof by management was reasonable considering the nature of the underlying operations;</li> <li>• Reviewed the impairment assessment approach applied by management and confirmed the methodology applied is consistent with international valuation standards;</li> <li>• Analysed the future projected cash flows used in the models to determine whether they are reasonable and supportable given</li> </ul>

**Audit. Tax. Advisory.**



Key Audit Matter	How our audit addressed the key audit matter
<p>in use for each appropriate cash generating unit.</p> <p>There are several key complex assumptions and judgements applied in the valuation models, which include amongst others: revenue growth rate; operating margins and weighted average capital discount rate applied to the projected cash flows, as well as consideration of the continuing impact of emerging risks on the assessment.</p> <p>Accordingly, the impairment test of goodwill is a key audit matter due to the significant judgement and estimations involved in determining the recoverable amount of the cash generating unit.</p>	<p>the current economic climate and expected future performance of the cash generating unit to which the goodwill relates;</p> <ul style="list-style-type: none"> <li>• Compared the projected cash flows, including the assumptions relating to revenue growth rates and operating margins, against historical performance to test the reasonableness of the directors' projections, as well as testing the underlying calculations and obtained corroborative evidence where a significant increase in forecast earnings was noted;</li> <li>• Recalculated a discount rate for each cash generating unit using our independently sourced data and incorporated a further risk premium for the impact of forward-looking information as required, which we compared against managements inputs to determine whether their assessment was fair and reasonable.</li> </ul> <p>We found the methods, assumptions and data used by the directors to be appropriate based on historical performance, future outlook and current prevailing circumstances.</p> <p>We considered the goodwill impairment assessment disclosures to be appropriate.</p>

Key Audit Matter	How our audit addressed the key audit matter
<p><b>Revenue recognition</b></p> <p>As disclosed in note 18, the consolidated financial statements include revenue of R 64 million (2022: R65 million).</p> <p>The Group has a large number of subscription clients, with varying contractual terms, generating revenue from various services on a monthly basis, which increases the risk associated with recognition and measurement of revenue.</p> <p>Furthermore, the accuracy, completeness and validity of the revenue recorded is significantly reliant on the efficient and effective operation of the internally developed billing system.</p> <p>Revenue recognition and measurement is therefore considered to be a key audit matter due to the large number of subscription clients with varying contractual terms and services.</p>	<p>As part of our response to this key audit matter, our procedures included:</p> <ul style="list-style-type: none"> <li>• Assessed and evaluated the design and implementation of key internal financial controls related to revenue recognition;</li> <li>• Assessed the appropriateness of the application of revenue recognition and measurement principles in accordance with the requirements of IFRS 15: Revenue from contracts with customers;</li> <li>• Performed substantive analytical procedures in respect of revenue recognition throughout the financial period in order to identify significant anomalies for further assessment;</li> <li>• Verified the revenue processed by the internal billing system was accurately recognised and measured in the financial reporting system throughout the financial period;</li> <li>• Verified that a sample of revenue transactions recognised in the billing system was accurately recognised and measured in accordance with the terms and conditions of the contractual agreements and the requirements of IFRS 15: Revenue from contracts with customers;</li> <li>• Selected a sample of active contractual agreements and verified the revenue transactions were accurately recognised in the billing system and measured in accordance with the requirements of IFRS 15: Revenue from contracts with customers;</li> <li>• We selected transactions before and after the reporting period end, to confirm the transactions were recognised in the correct financial period.</li> </ul> <p>We found that the recognition and measurement of revenue was appropriate.</p>

## **Other Information**

The directors are responsible for the other information. The other information comprises the information included in the document titled "TeleMasters Holdings Limited Consolidated Annual Financial Statements for the year ended 30 June 2023", which includes the Directors' Report, the Audit Committee Report and the Group Secretary's Certification as required by the Companies Act of South Africa and the CEO and FD Responsibility Statement on Internal Financial Controls as required by the JSE Limited Listing Requirements, which we obtained prior to the date of this report, and the Integrated Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we do receive and read the Integrated Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, we may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

## **Responsibilities of the Directors for the Consolidated Financial Statements**

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Nexia SAB&T has been the auditor of TeleMasters Holdings Limited for 12 years.

*Nexia SAB&T*

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**Nexia SAB&T**

Johandre Engelbrecht  
 Director  
 Registered Auditor  
 29 September 2023

# TeleMasters Holdings Limited

(Registration number 2006/015734/06)

Consolidated Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	3	6,441,342	7,172,580
Right-of-use assets	4	11,464,218	13,993,272
Goodwill	5	22,952,676	22,952,676
Intangible assets	6	551,271	906,509
Deferred tax	7	3,511,709	3,723,583
Restricted cash	8	690,000	690,000
		<b>45,611,216</b>	<b>49,438,620</b>
<b>Current Assets</b>			
Inventories	9	646,859	1,017,455
Trade and other receivables	10	7,044,091	4,302,308
Prepayments	11	-	674,740
Current tax receivable		65,802	101,653
Cash and cash equivalents	12	2,378,645	2,348,524
		<b>10,135,397</b>	<b>8,444,680</b>
<b>Total Assets</b>		<b>55,746,613</b>	<b>57,883,300</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital	13	15,474,935	14,154,259
Retained income		21,939,899	22,053,616
		<b>37,414,834</b>	<b>36,207,875</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Borrowings	15	369,139	961,770
Lease liabilities	4	6,342,190	9,706,330
Deferred tax	7	-	170,684
		<b>6,711,329</b>	<b>10,838,784</b>
<b>Current Liabilities</b>			
Trade and other payables	17	6,747,529	4,040,209
Borrowings	15	601,204	762,924
Lease liabilities	4	4,031,373	4,110,323
Current tax payable		93,899	27,214
Dividend payable		146,445	367,216
Contingent consideration	16	-	1,528,755
		<b>11,620,450</b>	<b>10,836,641</b>
<b>Total Liabilities</b>		<b>18,331,779</b>	<b>21,675,425</b>
<b>Total Equity and Liabilities</b>		<b>55,746,613</b>	<b>57,883,300</b>

# TeleMasters Holdings Limited

(Registration number 2006/015734/06)

Consolidated Annual Financial Statements for the year ended 30 June 2023

## Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand	Note(s)	2023	2022
Revenue	18	64,163,482	65,001,950
Cost of sales		(28,226,830)	(29,620,139)
<b>Gross profit</b>		<b>35,936,652</b>	<b>35,381,811</b>
Other operating income and gains		165,646	81,662
Movement in credit loss allowances	19	(396,096)	(754,347)
Other operating expenses		(33,432,673)	(35,235,905)
<b>Operating profit (loss)</b>	19	<b>2,273,529</b>	<b>(526,779)</b>
Investment income	20	193,703	172,839
Finance costs	21	(1,760,207)	(2,340,735)
<b>Profit (loss) before taxation</b>		<b>707,025</b>	<b>(2,694,675)</b>
Taxation	22	(291,019)	718,201
<b>Total comprehensive income (loss) for the year</b>		<b>416,006</b>	<b>(1,976,474)</b>
<b>Basic and diluted earnings (loss) per share</b>	23		
Basic earnings (loss) per share (cents)		0.73	(3.67)
Diluted earnings (loss) per share (cents)		0.73	-

No dilutive earnings (loss) per share has been presented for the prior year as the effect was anti-dilutive.

## TeleMasters Holdings Limited

(Registration number 2006/015734/06)

Consolidated Annual Financial Statements for the year ended 30 June 2023

### Statement of Changes in Equity

Figures in Rand	Share capital	Share premium	Total share capital	Retained income	Total equity
<b>Balance at 01 July 2021</b>	<b>5,050</b>	<b>8,004,939</b>	<b>8,009,989</b>	<b>25,741,443</b>	<b>33,751,432</b>
Total comprehensive loss for the year	-	-	-	(1,976,474)	(1,976,474)
Issue of shares	526	6,455,719	6,456,245	-	6,456,245
Treasury shares	-	(311,975)	(311,975)	-	(311,975)
Dividends	-	-	-	(1,711,353)	(1,711,353)
<b>Balance at 01 July 2022</b>	<b>5,576</b>	<b>14,148,683</b>	<b>14,154,259</b>	<b>22,053,616</b>	<b>36,207,875</b>
Total comprehensive income for the year	-	-	-	416,006	416,006
Issue of shares	122	1,397,261	1,397,383	-	1,397,383
Treasury shares	-	(76,707)	(76,707)	-	(76,707)
Dividends	-	-	-	(529,723)	(529,723)
<b>Balance at 30 June 2023</b>	<b>5,698</b>	<b>15,469,237</b>	<b>15,474,935</b>	<b>21,939,899</b>	<b>37,414,834</b>
Note	13	13	13		

# TeleMasters Holdings Limited

(Registration number 2006/015734/06)

Consolidated Annual Financial Statements for the year ended 30 June 2023

## Statement of Cash Flows

Figures in Rand	Note(s)	2023	2022
<b>Cash flows from operating activities</b>			
Cash generated from operations	24	9,629,513	7,525,569
Finance costs paid		(1,760,207)	(2,118,235)
Tax paid	25	(147,293)	(64,298)
<b>Net cash from operating activities</b>		<b>7,722,013</b>	<b>5,343,036</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(2,228,715)	(3,973,687)
Proceeds on sale of property, plant and equipment		76,315	80,260
Advances to restricted cash	8	-	(690,000)
Investment income received	20	184,351	172,839
<b>Net cash from investing activities</b>		<b>(1,968,049)</b>	<b>(4,410,588)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	27	-	2,193,083
Repayment of borrowings	27	(754,351)	(471,249)
Purchase of treasury shares	13	(76,709)	(311,975)
Payment of lease liabilities	27	(4,142,289)	(3,810,409)
Dividends paid	26	(750,494)	(2,240,589)
<b>Net cash from financing activities</b>		<b>(5,723,843)</b>	<b>(4,641,139)</b>
<b>Total cash movement for the year</b>		<b>30,121</b>	<b>(3,708,691)</b>
Cash at the beginning of the year		2,348,524	6,057,215
<b>Total cash at end of the year</b>	12	<b>2,378,645</b>	<b>2,348,524</b>

# TeleMasters Holdings Limited

(Registration number 2006/015734/06)

Consolidated Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1. Significant accounting policies

The principal accounting policies applied in the preparation of these Consolidated Annual Financial Statements are set out below.

#### 1.1 Basis of preparation

The Consolidated Annual Financial Statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRS IC") interpretations issued and effective at the time of preparing these Consolidated Annual Financial Statements, the JSE Listings Requirements and the Companies Act of South Africa.

These Consolidated Annual Financial Statements comply with the requirements of the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The Consolidated Annual Financial Statements have been prepared on the historic cost convention and incorporate the principal accounting policies set out below. They are presented in Rands, which is the Group's functional currency.

These accounting policies are consistent with the previous period.

#### 1.2 Consolidation

##### Basis of consolidation

The Consolidated Annual Financial Statements incorporate the annual financial statements of the Company and all subsidiaries. Subsidiaries are entities which are controlled by the Group.

The Group has control of an entity when it is exposed to or has rights to variable returns from involvement with the entity and it has the ability to affect those returns through use its power over the entity.

The results of subsidiaries are included in the Consolidated Annual Financial Statements from the effective date of acquisition to the effective date of disposal.

All inter-company transactions, balances, and unrealised gains on transactions between group companies are eliminated in full on consolidation.

##### Business combinations

The group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

Any contingent consideration is included in the cost of the business combination at fair value as at the date of acquisition.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business combinations are recognised at their fair values at acquisition date. Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

##### Goodwill

Goodwill is determined at acquisition date as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus any non-controlling interest (when applicable) and less the fair value of the identifiable assets and liabilities of the acquiree. The acquisition date is the date on which the Group effectively obtains control of the acquiree.

#### 1.3 Significant judgements and sources of estimation uncertainty

The preparation of Consolidated Annual Financial Statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.



# TeleMasters Holdings Limited

(Registration number 2006/015734/06)

Consolidated Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the Consolidated Annual Financial Statements, are outlined as follows:

#### Taxation

Judgement is required in determining the provision for income tax due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast budgets from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the year end date could be impacted. (Refer note 7.)

#### Key sources of estimation uncertainty

##### Useful lives of plant and equipment

Management applies judgement and estimates in assessing the appropriateness of the useful lives and residual values of plant and equipment. Plant and equipment are reviewed annually on an individual basis to determine their useful life and residual value. Useful life is determined taking into account technological advances impacting the industry. Residual value is the estimated amount which the group will currently obtain from disposal of the asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The method of depreciation is annually reviewed and considered whether it is still appropriate.

The actual useful lives and residual values may vary depending on a variety of factors such as the nature of item, the condition as result of current usage and the expected physical wear and tear of each item of plant and equipment. Refer paragraph 1.4 for estimated useful lives.

##### Intangible assets

Judgement is required when determining the useful life and residual value of intangible assets. Intangible assets are reviewed annually on an individual basis to determine their useful life and residual value. Useful life is determined after taking into account the period of time over which the Group will earn revenue from the intangible asset. Residual values are assumed to be zero, due to the unique nature of the intangible assets of a defined term.

The Group tests annually whether intangible assets with indefinite lives have suffered any impairment, in accordance with the accounting policy stated in paragraph 1.6. The recoverable amounts of certain cash-generating units have been determined based on value-in use calculation. These calculations require the use of estimates. Refer note 6 for detail surrounding the estimations utilised in these calculations.

##### Impairment of trade receivables

Judgement is required in the assumptions used for calculating the Expected Credit Loss (ECL). The Group has financial assets classified and measured at amortised cost that are subject to the expected credit loss model requirements of IFRS 9. Refer note 10 for information on the expected credit loss allowance.

# TeleMasters Holdings Limited

(Registration number 2006/015734/06)

Consolidated Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Goodwill impairment

The Group tests whether goodwill has suffered any impairment at each reporting date. The assumptions used in the impairment testing are set out in the goodwill note 5 of the Consolidated Annual Financial Statements. The recoverable amounts of the cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates in relation to the projections of future cash flows, the projected growth rate, the terminal value of the business and the discount rate derived from the weighted average cost of capital specific to the Group.

The input factors most sensitive to change are management estimates of future cash flows based on budgets and forecasts, growth rates and discount rates. Further detail on these assumptions has been disclosed in the goodwill note 5.

#### 1.4 Property, plant and equipment

Property, plant and equipment are tangible assets which the Group holds for its own use or in the production of income, and which are expected to be used for more than one year.

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 Group, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition of the asset and costs incurred subsequently to add to the asset.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Group. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

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Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	10 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	6 years
IT equipment	Straight line	3-4 years
Routers and handsets	Straight line	3 years
Leasehold improvements	Straight line	5 years (shorter of useful life and lease term)

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There was no significant impact from the change of the estimated useful life in the current year.

#### 1.5 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, and subsequently carried at cost less any accumulated amortisation and any impairment losses. The residual values, amortisation period and the amortisation method for intangible assets are reviewed every period-end.

# TeleMasters Holdings Limited

(Registration number 2006/015734/06)

Consolidated Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.5 Intangible assets (continued)

Acquired computer software and licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

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, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

Amortisation on intangible assets has been assessed as follows:

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Item	Amortisation method	Average useful life
Computer software	Straight line	3 years
Licences		Indefinite

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### 1.6 Impairment of assets

The Group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the Group also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

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.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is so allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment as defined by paragraph 5 of IFRS 8 Operating Segments before aggregation.

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.

An entity 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 recoverable amounts of those assets are estimated.

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.

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## Accounting Policies

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### 1.7 Financial instruments

Financial instruments are recognised when the group becomes a party to the contractual provisions of the instrument.

Note 31 Financial instruments and risk management presents the financial instruments held by the Group based on their specific classifications.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Group are presented below:

#### FINANCIAL ASSETS AT AMORTISED COST

##### Classification

Trade and other receivables (note 10), restricted cash (note 8) and cash and cash equivalents (note 12) are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because the contractual terms of these financial assets give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Group's business model is to collect the contractual cash flows on these financial assets.

##### Recognition and measurement

Financial assets are measured, at initial recognition, at fair value plus transaction costs, if any. A trade receivable without a significant financing component is initially measured at the transaction price.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the financial assets initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

##### Application of the effective interest method

For financial assets which contain a significant financing component, interest income is calculated using the effective interest method, and is included in profit or loss in investment income.

The application of the effective interest method to calculate interest income on a financial asset is dependent on the credit risk of the amount as follows:

- The effective interest rate is applied to the gross carrying amount of the financial asset, provided the financial asset is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a financial asset was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the financial asset in the determination of interest. If, in subsequent periods, the financial asset is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

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## Accounting Policies

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### 1.7 Financial instruments (continued)

#### Impairment

The Group recognises a loss allowance for expected credit losses on all financial assets measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective amount.

The Group measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables.

The Group measures the loss allowance other receivables by following the general approach. The loss allowance is measured at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12 month expected credit losses (12 month ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial asset. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial asset that are possible within 12 months after the reporting date.

In order to assess whether to apply lifetime ECL or 12 month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the Group considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of an other receivable being credit impaired at the reporting date or of an actual default occurring.

#### Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring as at the date of initial recognition.

The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the counterparties operate, as well as consideration of various external sources of actual and forecast economic information, such as forecast economic growth and inflationary pressures.

Irrespective of the outcome of the above assessment, the credit risk on a financial asset is always presumed to have increased significantly since initial recognition if the contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increases in credit risk before the amount becomes past due.

By contrast, if a financial asset is assessed to have a low credit risk at the reporting date, then it is assumed that the credit risk on the financial asset has not increased significantly since initial recognition. A financial asset is considered to have a low credit risk where there has not been any historical default and the counterparty is considered to be a reputable institution.

#### Definition of default

For purposes of internal credit risk management purposes, the Group considers that a default event has occurred if there is either a breach of financial covenants by the counterparty, or if internal or external information indicates that the counterparty is unlikely to pay its creditors in full (without taking collateral into account).

Irrespective of the above analysis, the Group considers that default has occurred when a payment for a financial asset is more than 60 days past due unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

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## Accounting Policies

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### 1.7 Financial instruments (continued)

#### Write off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

#### Measurement and recognition of expected credit losses

The measurement of expected credit losses for trade receivables is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.

The assessment of the probability of default and loss given default is based on historical data, adjusted by forward-looking information as afore-mentioned described. The exposure at default is the gross carrying amount of the financial asset at the reporting date

The Group makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade receivables. The provision matrix is based on historic credit loss experience over the past 2 years, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate. The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix is presented in note 10.

For all other receivables, if the Group has measured the loss allowance at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12 month ECL at the current reporting date, and vice versa.

An impairment gain or loss is recognised for all receivables in profit or loss with a corresponding adjustment to their carrying amount through a loss allowance account. The impairment loss is included in operating expenses in profit or loss as a movement in credit loss allowance.

#### Credit risk

Details of credit risk related to financial assets are included in the specific notes and the financial instruments and risk management (note 31).

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### 1.7 Financial instruments (continued)

#### FINANCIAL LIABILITIES AT AMORTISED COST

##### Classification

Trade and other payables (note 17) and borrowings (note 15) are classified as financial liabilities and subsequently measured at amortised cost, except for VAT and indirect taxes, which is not a financial liability and is measured at cost.

##### Recognition and measurement

Financial liabilities are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs.

Financial liabilities expose the Group to liquidity risk and interest rate risk. Refer to note 31 for details of risk exposure and management thereof.

#### FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

##### Classification

When a financial liability is contingent consideration in a business combination, the Group classifies it as a financial liability at fair value through profit or loss. Refer to note 16.

##### Recognition and measurement

Financial liabilities at fair value through profit or loss are measured, at initial recognition and subsequently, at fair value. Transaction costs are recognised in profit or loss.

The unwinding of the discounting applied on the fair value assessment at initial recognition is included in finance costs and investment income.

#### DERECOGNITION

##### Financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

##### Financial liabilities

The Group derecognises financial liabilities when, and only when, the Group obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

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## Accounting Policies

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### 1.8 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 end of the reporting period.

#### 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 an asset or liability in a transaction which 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 in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

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 end of the reporting period.

#### 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, to other comprehensive income, or
- a business combination.

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

### 1.9 Leases

The Group assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the Group has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

There were no significant judgments and sources of estimation uncertainty in determining whether a contract is or contains a lease, the lease terms and in taking into account the lease renewals.

#### Group as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the Group is a lessee. There are no short-term leases of 12 months or less, or leases of low value assets.



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## Accounting Policies

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### 1.9 Leases (continued)

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

Details of leasing arrangements where the Group is a lessee are presented in note 4 right-of-use assets and leases liabilities (Group as lessee).

#### Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate as a basis.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments, and
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs (note 21).

#### Right-of-use assets

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

Right-of-use assets are depreciated over the following periods:

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Item	Depreciation method	Depreciation Period
Buildings	Straight line	5-10 years (term of lease)
Motor vehicles	Straight line	5 years (useful life)
Routers and handsets	Straight line	3 years (term of lease)
Racks	Straight line	10 years (useful life)
IT Equipment	Straight line	5 years (term of lease)

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The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The depreciation charge for each year is recognised in profit or loss.

### 1.10 Inventories

Inventories consist of routers and handsets held for sale in the ordinary course of business. Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories comprises of all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity. When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised.

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## Accounting Policies

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### 1.11 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.

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity.

### 1.12 Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements if the amount has been declared but not yet paid at year end.

Dividends are recognised as a liability in the entity in which they are declared.

### 1.13 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.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

#### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

### 1.14 Revenue from contracts with customers

The Group recognises revenue from the following major sources:

#### Sale of goods

- Equipment sales

#### Rendering of services

- Connection fees
- Airtime
- Service fees

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The consideration specified in the contract is the same as the transaction price. The Group recognises revenue when the performance obligation relating to each specific contract has been satisfied. There are no performance obligations outstanding at the end of year. Management did not have to apply significant judgement in determining the performance obligations. There are no transactions which include transaction prices that have variable considerations.

At the inception of a contract with a customer, the Group assesses the goods or services promised in the contract and identifies as a performance obligation each promise to transfer to the customer either a good or service (or bundle of goods or services) that is distinct; or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer.

Performance obligations are satisfied either at a point in time or over time. Where performance obligations are satisfied over time, the Group recognises revenue for the services rendered within each time frame in accordance with the contract terms and pricing for the given time frame. Given the nature of the contracts completed over time, this method provides a faithful depiction of the transfer of goods and services for performance obligations satisfied over time.

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## Accounting Policies

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### 1.14 Revenue from contracts with customers (continued)

The performance obligation with respect to the sale of goods is recognised when the Group entity has delivered its products to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the product. Delivery or recognition does not occur until the products have been delivered to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied. The performance obligation with respect to provision of services is recognised when the service has been provided to the customer.

When the Group performs by transferring goods or services to a customer before the customer transfers any consideration, the amount receivable is disclosed separately as a contract asset. Similarly, if a customer transfers any consideration before the Group transfers any corresponding goods or services, the amount received is disclosed separately as a contract liability. There were no contract assets or contract liabilities at year end.

Payments by customers are typically made in within 60 days for major customers and 30 days for other customers of revenue being recognised. Where payments are deferred for a period beyond 12 months after revenue being recognised, a significant financing component is included in the contract. Revenue is recognised at the present value of the consideration receivable over the contract period with the balance of the consideration being recognised as finance income over time.

The transaction price is allocated to each performance obligation in a contract on a relative stand-alone selling price basis where contracts have more than one performance obligation. The entity has adopted the expected cost-plus margin approach to determine the stand-alone selling prices. Under this approach, the entity's markup percentage is added to the expected standalone cost price of the promised good or service to the customer to get to a standalone selling price. No judgment is used in determining the standalone selling prices. In some instances, the Group provides multiple services to customers in a single contract. Where it is the intention of the Group to provide an end to end solution, these are considered as an integrated set of activities and treated as a single performance obligation.

### Disaggregation of revenue

The disaggregation of revenue from each category is presented in note 18 of the financial statements.

### 1.15 Earnings per share and headline earnings per share

The calculation of earnings per share (EPS) is based on the profit/(loss) for the period attributable to ordinary shareholders and the weighted average number of ordinary shares in issue during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares in issue for any dilutive potential ordinary shares. Headline earnings per share is calculated in accordance with circular 1/2023 issued by the South African Institute of Chartered Accountants.

### 1.16 Segmental reporting

IFRS 8 requires an entity to report financial and descriptive information about its reportable segments which are operating segments or aggregations of operating segments that meet specific criteria. Operating segments are components of an entity about which separate financial information is available and that is evaluated regularly by the Chief Operating Decision Maker. The Chief Executive Officer is the Chief Operating Decision Maker ("CODM") of the Group.

The reportable segments reflect the operating model of the Group and are consistent with the way the business is managed and reported on by the CODM. Management monitors the operating results of its business units separately for the purpose of resource allocation and performance assessment. Monthly management meetings are held to evaluate the individual segment performance. The CODM does not monitor assets and liabilities by segment.

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## Notes to the Consolidated Annual Financial Statements

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### 2. New Standards and Interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the Group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations.

There was no material impact on the implementation of any of these standards.

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 1	01 January 2022
• Reference to the Conceptual Framework: Amendments to IFRS 3	01 January 2022
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9	01 January 2022
• Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16	01 January 2022
• Onerous Contracts - Cost of Fulfilling a Contract: Amendments to IAS 37	01 January 2022

#### 2.2 Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and may be relevant to the Group. The standards and interpretations are mandatory for the Group's accounting periods beginning on or after 01 July 2023 or later periods. These standards will be implemented in the applicable year for which they are mandatory.

There is unlikely to be a material impact on the future implementation of any of these standards.

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>
• Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2 to disclose material policies rather than significant policies	01 January 2023
• Definition of accounting estimates: Amendments to IAS 8	01 January 2023
• Classification of Liabilities as Current or Non-Current - Amendment to IAS 1	01 January 2024
• Deferred tax related to assets and liabilities arising from single transactions: Amendments to IAS 12	01 January 2023
• Lease liability in a sale and leaseback	01 January 2024

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### Notes to the Consolidated Annual Financial Statements

#### 3. Property, plant and equipment

	2023			2022		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	550,677	(249,625)	301,052	553,824	(185,730)	368,094
Motor vehicles	434,279	(353,145)	81,134	588,339	(465,214)	123,125
Office equipment	189,594	(183,164)	6,430	189,594	(181,557)	8,037
IT equipment	1,045,040	(853,982)	191,058	972,052	(675,186)	296,866
Routers and handsets	18,289,818	(12,496,003)	5,793,815	16,090,847	(9,779,527)	6,311,320
Leasehold improvements	94,969	(27,116)	67,853	76,879	(11,741)	65,138
<b>Total</b>	<b>20,604,377</b>	<b>(14,163,035)</b>	<b>6,441,342</b>	<b>18,471,535</b>	<b>(11,298,955)</b>	<b>7,172,580</b>

#### Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers from right-of-use assets*	Depreciation	Total
Furniture and fixtures	368,094	-	(2,141)	-	(64,901)	301,052
Motor vehicles	123,125	-	(28,250)	-	(13,741)	81,134
Office equipment	8,037	-	-	-	(1,607)	6,430
IT equipment	296,866	121,242	(29,262)	-	(197,788)	191,058
Routers and handsets	6,311,320	2,089,383	(67,377)	163,108	(2,702,619)	5,793,815
Leasehold improvements	65,138	18,090	-	-	(15,375)	67,853
	<b>7,172,580</b>	<b>2,228,715</b>	<b>(127,030)</b>	<b>163,108</b>	<b>(2,996,031)</b>	<b>6,441,342</b>

#### Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Reclassifications	Depreciation	Total
Furniture and fixtures	421,231	-	-	-	(53,137)	368,094
Motor vehicles	209,844	-	(34,300)	-	(52,419)	123,125
Office equipment	27,926	9,643	-	-	(29,532)	8,037
IT equipment	474,492	121,246	-	(51,752)	(247,120)	296,866
Routers and handsets	6,032,400	3,795,534	-	-	(3,516,614)	6,311,320
Leasehold improvements	26,160	47,264	-	-	(8,286)	65,138
	<b>7,192,053</b>	<b>3,973,687</b>	<b>(34,300)</b>	<b>(51,752)</b>	<b>(3,907,108)</b>	<b>7,172,580</b>

\* Transfers from right-of-use assets relate to assets where the lease liability has been settled and the Group has retained ownership of the asset.

#### Property, plant and equipment encumbered as security

Refer to note 15 for details of property, plant and equipment encumbered as security for borrowings.

#### Contractual commitments

There were no significant contractual commitments for the acquisition of property, plant and equipment.

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Figures in Rand 2023 2022

### 4. Right-of-use assets and lease liabilities (Group as lessee)

The group leases building, racks, IT equipment as well as and routers and handsets. The average lease terms are as follows:

Head Office Premises - 5 years. There are 20 months (2022: 32 months) remaining on the lease at year end. Monthly repayments are R198 241 (2022: R185 275) and the interest rate is 8.75% (2022: 8.75%).

Ultra DataCentre Premises - 8 to 10 years. There are 72 months (2022: 84 months) remaining on the lease at year end. Monthly repayments are R46 495 (2022: R40 934) and the interest rate is prime interest rate plus 3%.

Routers and handsets - 3 to 5 years. There is an average of 12 months (2022: 24 months) remaining on the leases at year end. Monthly repayments are R60 840 (2022: R41 869) and the interest rate is prime interest rate plus 7% (2022: prime interest rate plus 7%).

Racks - 3 to 5 years. There is an average of 16 months (2022: 28 months) remaining on the leases at year end. Monthly repayments are R158 180 (2022: R173 336) and the interest rate the interest rate is prime interest rate plus 10% (2022: prime interest rate plus 10%).

IT Equipment - 5 years. There are 13 months (2022: 25 months) remaining on the lease at year end. Monthly repayments are R20 682 (2022: R18 970) and the interest rate is prime interest rate plus 7% (2022: prime interest rate plus 7%).

The interest rates are based on the internal borrowing rate.

There are no extension or termination options on any of the lease agreements. There are no residual guarantee values and no restrictions or covenants imposed by the leases. No arrangements have been entered into for contingent rent.

There were no leases to which the group is committed to which have not yet commenced.

Details pertaining to leasing arrangements, where the Group is lessee are presented below:

#### Right-of-use asset - 2023

	Opening balance	Additions	Transfers to inventory	Transfers to property, plant and equipment	Depreciation	Total
Buildings	7,054,713	699,199	-	-	(2,138,888)	5,615,024
Routers and handsets	748,257	-	(2,101)	(163,108)	(125,886)	457,162
Racks	5,794,223	-	-	-	(608,195)	5,186,028
IT Equipment	396,079	-	-	-	(190,075)	206,004
	<b>13,993,272</b>	<b>699,199</b>	<b>(2,101)</b>	<b>(163,108)</b>	<b>(3,063,044)</b>	<b>11,464,218</b>

#### Right-of-use asset - 2022

	Opening balance	Additions	Lease adjustments and reclassifications	Depreciation	Total
Buildings	7,769,028	712,385	574,346	(2,001,046)	7,054,713
Routers and handsets	1,238,797	-	(131,663)	(358,877)	748,257
Racks	7,333,880	-	(727,389)	(812,268)	5,794,223
IT Equipment	574,860	-	-	(178,781)	396,079
	<b>16,916,565</b>	<b>712,385</b>	<b>(284,706)</b>	<b>(3,350,972)</b>	<b>13,993,272</b>

#### Other disclosures

Interest expense on lease liabilities	1,521,362	1,937,726
Capital repayments on leases	4,142,289	3,810,409
Total cash outflow from leases	<b>5,663,651</b>	<b>5,748,135</b>

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<b>4. Right-of-use assets and lease liabilities (Group as lessee) (continued)</b>		
<b>Lease liabilities</b>		
The maturity analysis of lease liabilities is as follows:		
Within one year	5,180,911	5,498,514
Two to five years	6,833,680	10,533,816
More than five years	742,794	982,423
	<u>12,757,385</u>	<u>17,014,753</u>
Less finance charges component	(2,383,822)	(3,198,100)
	<u><b>10,373,563</b></u>	<u><b>13,816,653</b></u>
Non-current liabilities	6,342,190	9,706,330
Current liabilities	4,031,373	4,110,323
	<u><b>10,373,563</b></u>	<u><b>13,816,653</b></u>

### Exposure to liquidity risk

Refer to note 31 Financial instruments and risk management for the details of liquidity risk exposure and management.

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### 5. Goodwill

	2023			2022		
	Cost	Accumulated impairment	Carrying value	Cost	Accumulated impairment	Carrying value
Goodwill	22,952,676	-	22,952,676	22,952,676	-	22,952,676

#### Reconciliation of goodwill - 2023

	Opening balance	Total
Goodwill	22,952,676	22,952,676

#### Reconciliation of goodwill - 2022

	Opening balance	Total
Goodwill	22,952,676	22,952,676

#### The carrying amount of goodwill relates to the following acquisitions:

Catalytic Connections (Pty) Ltd - acquired 1 March 2010	2,686,779	2,686,779
Spice Telecom (Pty) Ltd - acquired 1 January 2018	600,000	600,000
Ultra DataCentre (Pty) Ltd - acquired 1 April 2021	5,290,503	5,290,503
Contineo Connections (Pty) Ltd - acquired 1 July 2020	13,681,190	13,681,190
PerfectWorx Consulting (Pty) Ltd - acquired 1 July 2020	694,204	694,204
	<b>22,952,676</b>	<b>22,952,676</b>

#### Assessment of recoverable amounts

During the current and previous financial year, the Group assessed the recoverable amount of goodwill from all acquisitions. The assessment determined that the goodwill allocated to the cash generating units was not impaired. The accounting policy that has been applied in assessing impairment of goodwill is set out in note 1.3. No impairment was recognised both in the current and previous financial periods.

The key assumptions of the cash flow forecast used to determine the present value of the future cash flows from the cash generating unit of the group, over a five year period were based on:

- Revenue growth of the respective CGU's over the forecast period;
- Discount rates; and
- The number of racks leased impacting revenue earned.

A discounted cash flow method (value in use) was used to determine the present value of the future cash flows from the cash generating unit. A discount rate, based on a pre-tax risk free rate obtained from bonds issued by government adjusted for a risk premium to reflect the investment requirements of the Group and specific risks related to the cash generating unit were used in discounting the projected cash flows over a 5-year period.

#### Weighted average discount rates applied

Catalytic Connections (Pty) Ltd	20.05 %	16.58 %
Spice Telecom (Pty) Ltd	20.05 %	16.58 %
PerfectWorx Consulting (Pty) Ltd	18.85 %	17.58 %
Contineo Virtual Communications (Pty) Ltd	18.85 %	17.58 %
Ultra DataCentre (Pty) Ltd	18.85 %	20.58 %



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<b>5. Goodwill (continued)</b>		
Weight average revenue growth rates applied		
Catalytic Connections (Pty) Ltd	5.00 %	5.50 %
Spice Telecom (Pty) Ltd	5.00 %	5.50 %
PerfectWorx Consulting (Pty) Ltd	5.00 %	7.00 %
Contineo Virtual Communications (Pty) Ltd	5.00 %	7.00 %
Ultra DataCentre (Pty) Ltd	^^ refer below	^ refer below

^^ Based on an average growth of 5 racks per year until full capacity is reached in 3 years (2022: 4 years).

### Sensitivity

The value of a 1% (2022: 1%) increase in the discount rates and 1% (2022: 1%) decrease in revenue growth rates applied to the discounted cash flow resulted in a change in value as indicated below.

In all instances the value per the discounted cash flow remains in excess of the carrying value of the cash generating unit.

<b>2023</b>	Difference due to change in discount rate	
	1% increase	1% decrease
Catalytic Connections (Pty) Ltd and Spice Telecom (Pty) Ltd	(274,816)	306,794
PerfectWorx Consulting (Pty) Ltd	(148,848)	172,009
Contineo Virtual Communications (Pty) Ltd	(851,904)	977,847
Ultra DataCentre (Pty) Ltd	(1,079,175)	1,256,515
<b>2023</b>	Difference due to change in growth rate	
	1% increase	1% decrease
Catalytic Connections (Pty) Ltd and Spice Telecom (Pty) Ltd	141,134	(123,552)
PerfectWorx Consulting (Pty) Ltd	104,774	(90,667)
Contineo Virtual Communications (Pty) Ltd	566,033	(487,223)
Ultra DataCentre (Pty) Ltd	810,965	(701,772)
<b>2022</b>	Difference due to change in discount rate	
	1% increase	1% decrease
Catalytic Connections (Pty) Ltd and Spice Telecom (Pty) Ltd	(1,190,583)	1,190,583
PerfectWorx Consulting (Pty) Ltd	(372,668)	372,668
Contineo Virtual Communications (Pty) Ltd	(1,098,318)	1,098,318
Ultra DataCentre (Pty) Ltd	(577,376)	577,376
<b>2022</b>	Difference due to change in growth rate	
	1% increase	1% decrease
Catalytic Connections (Pty) Ltd and Spice Telecom (Pty) Ltd	6,447,333	(6,447,333)
PerfectWorx Consulting (Pty) Ltd	770,642	(770,642)
Contineo Virtual Communications (Pty) Ltd	1,640,035	(1,640,035)
Ultra DataCentre (Pty) Ltd	1,880,963	(1,880,963)

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### 6. Intangible assets

	2023			2022		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	1,590,850	(1,339,579)	251,271	1,590,850	(984,341)	606,509
Licences - indefinite life	300,000	-	300,000	300,000	-	300,000
<b>Total</b>	<b>1,890,850</b>	<b>(1,339,579)</b>	<b>551,271</b>	<b>1,890,850</b>	<b>(984,341)</b>	<b>906,509</b>

#### Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software	606,509	(355,238)	251,271
Licences - indefinite life	300,000	-	300,000
	<b>906,509</b>	<b>(355,238)</b>	<b>551,271</b>

#### Reconciliation of intangible assets - 2022

	Opening balance	Reclassification	Amortisation	Total
Computer software	844,893	51,752	(290,136)	606,509
Licences - indefinite life	300,000	-	-	300,000
	<b>1,144,893</b>	<b>51,752</b>	<b>(290,136)</b>	<b>906,509</b>

#### Assessment of indefinite life

The Communications Network Services (ECNS) licences were acquired from external parties, and are not limited to use over a specific period. Licences acquired from external parties are considered to have an indefinite useful life as they do not have expiry dates. The licences with indefinite useful lives are tested annually for impairment. No change in circumstances occurred during the current or prior year to indicate a change in the determination of the indefinite useful lives for impairment of licences.

The indefinite life intangible assets were part of the acquisition of Catalytic Connections (Pty) Ltd, a 100% subsidiary. They are integral to the assumptions used in the determination of the recoverable amount and are identical to those disclosed in note 5 (goodwill) which also forms part of the annual impairment assessment.

#### Contractual commitments

The group has no contractual commitments for the acquisition of intangible assets.

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<b>7. Deferred tax</b>		
<b>Deferred tax liability</b>		
Lease liabilities	(1,184,490)	(410,271)
Prepayments	-	(178,650)
Licences	(81,000)	(84,000)
<b>Total deferred tax liability</b>	<b>(1,265,490)</b>	<b>(672,921)</b>
<b>Deferred tax asset</b>		
Credit losses allowances	147,317	156,140
Employee related accruals	193,621	189,157
Right-of-use assets	971,671	303,430
Deferred tax balance from temporary differences other than unused tax losses	1,312,609	648,727
Tax losses available for set off against future taxable income	3,464,590	3,577,093
<b>Total deferred tax asset</b>	<b>4,777,199</b>	<b>4,225,820</b>

The deferred tax assets and the deferred tax liabilities have been disclosed on a net basis per company as follows:

Deferred tax liability	-	(170,684)
Deferred tax asset	3,511,709	3,723,583
<b>Total net deferred tax asset</b>	<b>3,511,709</b>	<b>3,552,899</b>

### Reconciliation of deferred tax asset / (liability)

At beginning of year	3,552,899	2,695,486
Increases (decrease) in tax loss available for set off against future taxable income	(112,503)	1,725,896
Taxable (deductible) temporary differences on:		
Leases	(774,219)	(340,124)
Prepayments	178,650	(25,901)
Licenses	3,000	-
Credit loss allowances	(8,823)	(612,740)
Employee related accruals	4,464	21,555
Right-of-use assets	668,241	88,727
	<b>3,511,709</b>	<b>3,552,899</b>

### Recognition of deferred tax asset

The deferred tax asset has been raised based on the assessment of the financial forecasts per entity by management that there will be future taxable profits against which the associated tax losses and deductible temporary differences can be utilised.

This forecast is based on the continued uptake in data centre services being provided by the Group, coupled with the continued uptake in inter-related networking and telecommunications services being provided to customers following increased sales activities which has already started to materialise towards year end.

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<b>8. Restricted cash</b>		
Deposit guarantee: leased premises	690,000	690,000
<b>Credit risk</b>		
The restriction over cash and cash equivalents is against lease liabilities owing in relation to properties, and is held by a reputable, well-established financial institution. Interest on the restricted cash accrues to the company.		
<b>Fair value of restricted cash</b>		
The fair value of restricted cash approximates its carrying amount as it attracts a market related interest rate.		
<b>9. Inventories</b>		
Routers and handsets	560,119	475,334
Licences	86,740	542,121
	<b>646,859</b>	<b>1,017,455</b>
Carrying value of inventories carried at fair value less costs to sell	202,691	224,357
No inventory has been written off, or pledged as security.		
<b>10. Trade and other receivables</b>		
<b>Financial instruments at amortised cost:</b>		
Trade receivables	6,425,077	3,498,640
Loss allowance - other	(436,494)	(705,593)
Trade receivables at amortised cost	5,988,583	2,793,047
Deposits	63,392	63,392
Accruals for revenue	493,854	625,952
Other receivables	-	66,219
<b>Non-financial instruments:</b>		
VAT	356,932	753,698
Prepayments	141,330	-
<b>Total trade and other receivables</b>	<b>7,044,091</b>	<b>4,302,308</b>
<b>Financial instrument and non-financial instrument components of trade and other receivables</b>		
At amortised cost	6,545,829	3,548,610
Non-financial instruments	498,262	753,698
	<b>7,044,091</b>	<b>4,302,308</b>
<b>Exposure to credit risk</b>		
Trade receivables and accruals for revenue inherently expose the Group to credit risk, being the risk that the Group will incur financial loss if customers fail to make payments as they fall due.		
In order to mitigate the risk of financial loss from defaults, the Group deals with reputable customers with consistent payment histories. Sufficient deposits are also obtained when appropriate (refer note 17). Each customer is analysed individually for creditworthiness before terms and conditions are offered. Statistical credit scoring models are used to analyse customers. These models make use of information submitted by the customers as well as external bureau data (where available). Customer credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of customers, is continuously monitored. Based on the credit risk monitoring processes, a customer account is placed on hold should the customer be identified as having cash flow difficulties.		

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### 10. Trade and other receivables (continued)

There have been no significant changes in the credit risk management policies and processes since the prior reporting period.

The remaining customer base for retail trade is large and widespread, with a result that there is no specific significant concentration of credit risk from these remaining trade receivables.

The average credit period on trade receivables is 30 days (2022: 30). No interest is charged on outstanding trade receivables.

A loss allowance is recognised for all trade receivables and is monitored at the end of each reporting period. The provision matrix has been developed by making use of default experience over the past 12 to 18 months on trade receivables, but also incorporated forward looking information (namely the rising inflation rate and poor credit rating of South Africa) and general economic conditions of the industry as at the reporting date. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off may be subject to enforcement activities. The value of trade receivables written off that were still subject to enforcement activities at year end was R665 195 (R2022: R3 067 500).

Accruals for revenue was assessed for impairment and the amount was not considered to be material to the Group.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

Other than the afore-mentioned specific customer, the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles.

	2023	2023	2022	2022
	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
<b>Expected credit loss rate:</b>				
Less than 30 days past due: 0.29% (2022: 1.36%)	5,201,691	(14,912)	2,574,915	(34,939)
31 - 60 days past due: 10.00% (2022: 10.21%)	864,918	(86,490)	42,043	(4,273)
61 - 90 days past due: 88.00% (2022: 89.21%)	194,796	(171,420)	27,940	(24,296)
more than 90 days past due: 100.00% (2022: 75.21%)	163,672	(163,672)	853,742	(642,085)
<b>Total</b>	<b>6,425,077</b>	<b>(436,494)</b>	<b>3,498,640</b>	<b>(705,593)</b>

### Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for trade receivables:

<b>Opening balance</b>		<b>(705,593)</b>	<b>(3,707,733)</b>
Amounts written off as uncollectible		665,195	3,756,487
Amounts written off recovered during the year		(29,087)	-
Provision raised on new trade receivables		(367,009)	(754,347)
<b>Closing balance</b>		<b>(436,494)</b>	<b>(705,593)</b>

### Fair value of trade and other receivables

The fair value of trade and other receivables approximates their carrying amounts due to the short term nature thereof.

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### 11. Prepayments

#### Reconciliation of prepayments - 2023

	Opening balance	Released to profit or loss	Closing balance
Prepaid licensing and support	674,740	(674,740)	-

#### Reconciliation of prepayments - 2022

	Opening balance	Additions	Released to profit or loss	Closing balance
Prepaid licensing and support	667,045	2,508,651	(2,500,956)	674,740

### 12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	-	1,800
Bank balances	2,311,676	1,226,888
Short-term deposits	66,969	1,119,836
	<b>2,378,645</b>	<b>2,348,524</b>

#### Credit quality of cash at bank and short term deposits, excluding cash on hand

Credit risk exposure arising on cash and cash equivalents is managed by the Group through dealing with well-established financial institutions with high credit ratings. The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

#### Standard & Poor credit rating

zaA-1+ (2022: zaAA)	2,373,291	1,933,873
2022: A	-	391,094
BB- (2022: AA+)	5,354	21,757
	<b>2,378,645</b>	<b>2,346,724</b>

#### Fair value of cash and cash equivalents

The fair value of current cash and cash equivalents approximates their carrying amounts due to their short term nature.

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<b>13. Share capital</b>		
<b>Authorised</b>		
500 000 000 Ordinary shares of R0.0001 each	50,000	50,000
<b>Reconciliation of number of shares issued:</b>		
Reported as at 01 July	55,089,508	50,079,438
Issue of shares – ordinary shares	1,723,160	5,259,670
Issue of shares to directors – ordinary shares	56,812,668	55,339,108
Shares purchased by subsidiary	(67,868)	(249,600)
	<b>56,744,800</b>	<b>55,089,508</b>

442,517,170 unissued ordinary shares are under the control of the Directors subject to the provisions of the Companies Act of South Africa and the JSE Listings Requirements.

<b>Issued</b>		
Ordinary	5,698	5,576
Share premium	22,318,392	20,921,131
Share issue costs written off against share premium	(462,403)	(462,403)
Capital distribution of share premium	(5,460,000)	(5,460,000)
Treasury shares held by subsidiaries	(926,752)	(850,045)
	<b>15,474,935</b>	<b>14,154,259</b>

The Company issued an additional 1 723 160 (2022: 5 259 670) shares in final settlement of the initial purchase consideration payable for the acquisitions of Contineo Virtual Communications (Pty) Ltd and Perfectworx Consulting (Pty) Ltd. Refer to note 16 for contingent consideration.

A wholly owned subsidiary of the Company purchased 67 868 (2022: 249 600) shares in the Company for an average purchase price of 113.02 cents (2022: 124.99 cents) per share as part of the Group's share repurchase programme. These shares are being held as treasury shares, with 738 030 shares held at year end.

### 14. Shareholder analysis

Shareholder analysis as at 30 June 2023:

	% Holding	No. of shareholders	No. of shares
<b>Shareholders holding more than 5% at year end</b>			
Maison D'Obsession Trust (Chairman beneficial interest)	62.11	1	35,700,000
JM Voigt	14.98	1	8,611,006
LP Pieton	8.70	1	4,999,999
<b>Public and non-public shareholders</b>			
Directors and associates	78.21	3	44,954,234
Public and staff with no restrictions on dealings	20.51	748	11,790,566
	<b>98.72</b>	<b>751</b>	<b>56,744,800</b>
Treasury shares held by subsidiary	1.28	1	738,030
	<b>100.00</b>	<b>752</b>	<b>57,482,830</b>

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<b>15. Borrowings</b>		
<b>Held at amortised cost</b>		
The Rental Company (Pty) Ltd	970,343	1,724,694
<b>Split between non-current and current portions</b>		
Non-current liabilities	369,139	961,770
Current liabilities	601,204	762,924
	<b>970,343</b>	<b>1,724,694</b>

The borrowings relate to contracts with The Rental Company Proprietary Limited for the acquisition of equipment. The repayment periods vary between 24 and 60 months and the interest rate is prime interest rate plus 10% (2022: prime interest rate plus 10%). The borrowings are repaid in monthly instalments of R81 468 (2022: R82 564).

The carrying value of the property, plant and equipment serving as collateral was R1 135 096 (2022: R1 728 735).

Refer to note 27 changes in liabilities arising from financing activities for details of the movement in the borrowings during the reporting period.

### 16. Contingent consideration

Effective 1 July 2020 the Group acquired the entire shareholding of Contineo Virtual Communications (Pty) Ltd and PerfectWorx Consulting (Pty) Ltd for a maximum consideration of R16 500 000. An aggregate of 8 500 000 shares at R1 each were issued on 23 July 2020 as settlement for the initial purchase price which the Directors deemed to be the fair value of the shares at that time. In the 2022 year, an additional 5,259,670 shares were issued at 122.75 cents in settlement of the first year of the earn-out consideration payable.

During the current year in accordance with the earn-out calculation included in the sale of shares agreement entered into by Voigt, Pieton, TeleMasters and Contineo on 29 June 2020 ("Contineo Sale of Shares Agreement"), the Company issued an additional 1 223 160 new shares to Voigt (611 580 shares) and Pieton (611 580 shares) at an issue price of 85.33 cents per share in accordance with the final earn-out calculation provided for in the Contineo Sale of Shares Agreement.

During the current year in accordance with the earn-out calculation included in the sale of shares agreement entered into by Voigt, TeleMasters and PerfectWorx on 29 June 2020 ("PerfectWorx Sale of Shares Agreement"), the Company issued an additional 500 000 new shares to Voigt at an issue price of 70.73 cents per share in accordance with the final earn-out calculation provided for in the Contineo Sale of Shares Agreement.

#### Reconciliation of contingent consideration

<b>Contingent consideration at beginning of year</b>	<b>1,528,755</b>	<b>7,762,500</b>
Fair value adjustment (refer note 19)	(131,372)	-
Finance costs (refer note 21)	-	222,500
Shares issued	(1,397,383)	(6,456,245)
<b>Contingent consideration at end of year</b>	<b>-</b>	<b>1,528,755</b>

The fair value of the contingent consideration was determined using a discount rate of 10%. The measurement of fair value was recognised in terms of IFRS 13 as a level 3 in that there no observable inputs due to the amount owing being based on forecast earnings.



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<b>17. Trade and other payables</b>		
<b>Financial instruments:</b>		
Trade payables	4,954,761	2,041,640
Employee related payables	276,069	295,829
Accruals	401,943	796,120
Accrued leave pay	717,116	675,561
Accrued audit fees	-	190,750
Deposits received	39,457	39,457
<b>Non-financial instruments:</b>		
VAT	358,183	852
	<b>6,747,529</b>	<b>4,040,209</b>
<b>Financial instrument and non-financial instrument components of trade and other payables</b>		
At amortised cost	6,389,346	4,039,357
Non-financial instruments	358,183	852
	<b>6,747,529</b>	<b>4,040,209</b>

### Fair value of trade and other payables

The fair value of trade and other payables approximates their carrying amounts due to the short term nature thereof.

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### 18. Revenue

#### Revenue from contracts with customers

Sale of goods	9,521,714	3,696,131
Rendering of services	54,641,768	61,305,819
	<b>64,163,482</b>	<b>65,001,950</b>

#### Disaggregation and timing of revenue from contracts with customers

The disaggregation and timing of revenue from customers as per the reportable segments is as follows:

2023	Catalytic & Contineo	PerfectWorx	Ultra DC	Total
<b>Sale of goods</b>				
Equipment sales - at a point in time	4,217,374	4,320,648	-	8,538,022
Sale of other goods - at a point in time	983,692	-	-	983,692
	<b>5,201,066</b>	<b>4,320,648</b>	<b>-</b>	<b>9,521,714</b>
<b>Rendering of services</b>				
Airtime - at a point in time	10,279,864	-	-	10,279,864
Connection fees - over time	38,386,409	-	-	38,386,409
Service fees - over time	3,343,683	592,680	2,039,132	5,975,495
	<b>52,009,956</b>	<b>592,680</b>	<b>2,039,132</b>	<b>54,641,768</b>
<b>Total revenue from contracts with customers</b>	<b>57,211,022</b>	<b>4,913,328</b>	<b>2,039,132</b>	<b>64,163,482</b>
<b>2022</b>				
	Catalytic & Contineo	PerfectWorx	Ultra DC	Total
<b>Sale of goods</b>				
Equipment sales - at a point in time	2,502,855	1,193,276	-	3,696,131
<b>Rendering of services</b>				
Airtime - at a point in time	13,984,494	-	-	13,984,494
Connection fees - over time	32,403,276	-	-	32,403,276
Service fees - over time	14,333,323	165,265	419,461	14,918,049
	<b>60,721,093</b>	<b>165,265</b>	<b>419,461</b>	<b>61,305,819</b>
<b>Total revenue from contracts with customers</b>	<b>63,223,948</b>	<b>1,358,541</b>	<b>419,461</b>	<b>65,001,950</b>

Refer to note 34 for segment reporting.

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Figures in Rand	2023	2022
<b>19. Operating profit (loss)</b>		
Operating profit (loss) for the year is stated after charging (crediting) the following, amongst others:		
<b>Auditor's remuneration - external</b>		
Audit fees	759,885	574,855
Audit fees - prior year overprovision	(115,750)	-
	<b>644,135</b>	<b>574,855</b>
<b>Remuneration, other than to employees</b>		
Consulting and professional services	2,926,936	2,559,964
Secretarial services	550,498	606,505
	<b>3,477,434</b>	<b>3,166,469</b>
<b>Employee costs</b>		
Salaries, wages, bonuses and other benefits	15,326,691	15,591,645
Retirement benefit plans: defined contribution expense	117,558	218,560
	<b>15,444,249</b>	<b>15,810,205</b>
<b>Depreciation and amortisation</b>		
Depreciation of property, plant and equipment	2,996,031	3,907,108
Depreciation of right-of-use assets	3,063,044	3,351,064
Amortisation of intangible assets	355,238	290,136
	<b>6,414,313</b>	<b>7,548,308</b>
<b>Losses (gains) on disposals, scrappings and settlements</b>		
Property, plant and equipment	62,170	(45,960)
<b>Movement in credit loss allowances</b>		
Trade and other receivables	396,096	754,347
<b>Fair value adjustments</b>		
Contingent consideration	(131,372)	-
<b>20. Investment income</b>		
<b>Interest income</b>		
<b>Investments in financial assets:</b>		
Bank and other cash	184,351	172,839
Overpayment of tax	9,352	-
<b>Total interest income</b>	<b>193,703</b>	<b>172,839</b>
<b>21. Finance costs</b>		
Lease liabilities	1,521,362	1,937,726
Contingent consideration	-	222,500
Borrowings	235,292	143,614
Other interest paid	3,553	36,896
<b>Total finance costs</b>	<b>1,760,207</b>	<b>2,340,736</b>

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Figures in Rand	2023	2022
<b>22. Taxation</b>		
<b>Major components of the tax (income) expense</b>		
<b>Current</b>		
Local income tax - current period	249,829	127,157
<b>Deferred</b>		
Originating and reversing temporary differences	41,190	(845,358)
	<b>291,019</b>	<b>(718,201)</b>
<b>Reconciliation of the tax expense</b>		
Reconciliation between accounting profit and tax expense.		
Accounting profit (loss)	707,025	(2,694,675)
Tax at the applicable tax rate of 27% (2022: 28%)	190,897	(754,509)
<b>Tax effect of adjustments on taxable income</b>		
Unrecognised tax losses utilised	-	(39,766)
Underprovision in prior year	-	4,911
Expenses not tax deductible	-	8,863
Income not taxable	(6,279)	-
Movement on contingent consideration	(35,470)	62,300
Tax rate change	138,818	-
Tax losses carried forward	3,053	-
	<b>291,019</b>	<b>(718,201)</b>
The income tax rate of 28% in 2022 was reduced to 27% in 2023.		
<b>23. Earnings (loss) per share</b>		
<b>Basic earnings (loss) reconciliation</b>		
Loss attributable to equity holders of the Company	416,006	(1,976,474)
<b>Basic earnings (loss)</b>	<b>416,006</b>	<b>(1,976,474)</b>
<b>Headline earnings (loss) reconciliation</b>		
Earnings (loss) attributable to ordinary shareholders	416,006	(1,976,474)
<b>Adjustments</b>		
IAS 16 Loss (profit) on disposal of property, plant and equipment	62,170	(45,960)
Taxation thereon	(16,786)	12,869
Net adjustment	45,384	(33,091)
<b>Headline earnings (loss)</b>	<b>461,390</b>	<b>(2,009,565)</b>
Number of shares in issue	57,482,830	55,759,670
Weighted average shares in issue	56,890,296	53,876,273
Basic earnings (loss) per share (cents)	0.73	(3.67)
Diluted earnings (loss) per share (cents)	0.73	-
Headline earnings (loss) per share (cents)	0.81	(3.73)

Diluted per share information was not presented for the prior year as it was considered anti-dilutive, due to the loss per share and headline loss per share for the prior year. There are no dilutive instruments in issue at year-end. Refer to note 16 for dilutive instruments at the end of the prior year.

# TeleMasters Holdings Limited

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	2023	2022
<b>24. Cash generated from operations</b>		
Profit (loss) before taxation	707,025	(2,694,675)
<b>Adjustments for:</b>		
Depreciation and amortisation	6,414,313	7,548,308
Loss (profit) on disposal of property, plant and equipment	62,170	(45,960)
Interest income	(193,703)	(172,839)
Finance costs	1,760,207	2,340,735
Net movements in credit loss allowances	396,096	754,347
Other non-cash income: fair value adjustment on contingent consideration	(131,372)	-
Other non-cash movement relating to lease adjustment	-	117,418
<b>Changes in working capital net of acquisitions:</b>		
Inventories	370,596	(340,796)
Trade and other receivables	(3,137,879)	71,296
Prepayments	674,740	(7,695)
Trade and other payables	2,707,320	(44,570)
	<b>9,629,513</b>	<b>7,525,569</b>
<b>25. Tax paid</b>		
Balance at beginning of the year	74,439	137,298
Current tax for the year recognised in profit or loss	(249,829)	(127,157)
Balance at end of the year	28,097	(74,439)
	<b>(147,293)</b>	<b>(64,298)</b>
<b>26. Dividends paid</b>		
Balance at beginning of the year	(367,216)	(896,452)
Dividends	(529,723)	(1,711,353)
Balance at end of the year	146,445	367,216
	<b>(750,494)</b>	<b>(2,240,589)</b>

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#### 27. Changes in liabilities arising from financing activities

##### Reconciliation of liabilities arising from financing activities - 2023

	Opening balance	Lease additions	Issue of shares	Fair value adjustment	Total non-cash movements	Cash flows	Closing balance
Borrowings	1,724,694	-	-	-	-	(754,351)	970,343
Contingent consideration	1,528,755	-	(1,397,383)	(131,372)	(1,528,755)	-	-
Lease liabilities	13,816,653	699,199	-	-	699,199	(4,142,289)	10,373,563
<b>Total liabilities from financing activities</b>	<b>17,070,102</b>	<b>699,199</b>	<b>(1,397,383)</b>	<b>(131,372)</b>	<b>(829,556)</b>	<b>(4,896,640)</b>	<b>11,343,906</b>

##### Reconciliation of liabilities arising from financing activities - 2022

	Opening balance	Issue of shares	Net finance costs	Lease additions	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
Borrowings	-	-	-	-	2,860	2,860	1,721,834	1,724,694
Contingent consideration	7,762,500	(6,456,245)	222,500	-	-	(6,233,745)	-	1,528,755
Lease liabilities	17,072,679	-	-	712,385	(158,002)	554,383	(3,810,409)	13,816,653
<b>Total liabilities from financing activities</b>	<b>24,835,179</b>	<b>(6,456,245)</b>	<b>222,500</b>	<b>712,385</b>	<b>(155,142)</b>	<b>(5,676,502)</b>	<b>(2,088,575)</b>	<b>17,070,102</b>

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	2023	2022
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### 28. Litigation

The Group continues to pursue litigation and attendant matters in respect of a material bad debt recoverable from a customer.

Other than above there are currently no legal or related proceedings against the Group, of which the Board is aware, which may have or have had in the 12 months preceding the date of this report, a material effect on the consolidated position of the Group.

### 29. Related parties

#### Relationships

Members of key management

JM Voigt  
BR Topham (appointed 1 June 2023)  
JL Roos (retired 21 June 2023)

Related parties in which key management and/or non-executive directors have a beneficial interest:

MB Pretorius

Snowy Owl Properties 82 (Pty) Ltd  
TeleMasters (Pty) Ltd  
Zero Plus Trading 194 (Pty) Ltd  
Spero Sensors and Instruments (Pty) Ltd

A Voigt (spouse of a director)

Level This CC

#### Related party balances

##### Amounts included in Trade receivables regarding related parties

Spero Sensors and Instruments (Pty) Ltd	1,131,246	-
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##### Amounts included in Trade payables regarding related parties

Level This CC	(129,342)	-
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#### Related party transactions

##### Sales to related parties

Spero Sensors and Instruments (Pty) Ltd	(1,616,698)	(596,596)
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##### Consulting fees paid to other related parties

Level This CC	1,860,000	1,740,000
Zero Plus Trading 194 (Pty) Ltd	379,390	450,000

##### Value of shares issued

JM Voigt	875,511	3,228,122
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The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions.

# TeleMasters Holdings Limited

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## Notes to the Consolidated Annual Financial Statements

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### 30. Directors' emoluments

#### Executive

#### 2023

Directors' emoluments	Emoluments
JL Roos	923,240
JM Voigt	1,440,000
	<b>2,363,240</b>

#### 2022

Directors' emoluments	Emoluments
JL Roos	900,000
JM Voigt	1,680,640
	<b>2,580,640</b>

#### Non-executive

#### 2023

Directors' emoluments	Directors' fees
DJ Bate	249,000
MB Pretorius	399,996
WF Steinberg	249,000
M Tappan	249,000
T Smith	249,000
	<b>1,395,996</b>

#### 2022

Directors' emoluments	Directors' fees
DJ Bate	228,250
MB Pretorius	405,127
WF Steinberg	249,000
M Tappan	249,000
T Smith	166,000
	<b>1,297,377</b>



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## Notes to the Consolidated Annual Financial Statements

### 31. Financial instruments and risk management

#### Categories of financial instruments

#### Categories of financial assets

##### 2023

	Note(s)	Amortised cost	Fair value
Restricted cash	8	690,000	690,000
Trade and other receivables	10	6,545,829	6,545,829
Cash and cash equivalents	12	2,378,705	2,378,705
		<b>9,614,534</b>	<b>9,614,534</b>

##### 2022

	Note(s)	Amortised cost	Fair value
Restricted cash	8	690,000	690,000
Trade and other receivables	10	3,548,610	3,548,610
Cash and cash equivalents	12	2,348,524	2,348,524
		<b>6,587,134</b>	<b>6,587,134</b>

#### Categories of financial liabilities

##### 2023

	Note(s)	Amortised cost	Leases	Fair value
Trade and other payables	17	6,389,346	-	6,349,346
Borrowings	15	970,343	-	970,343
Lease liabilities	4	-	10,373,563	10,373,563
Dividend payable		146,445	-	146,445
		<b>7,506,134</b>	<b>10,373,563</b>	<b>17,839,697</b>

##### 2022

	Note(s)	Amortised cost	Leases	Fair value
Trade and other payables	17	4,039,357	-	4,039,357
Borrowings	15	1,724,694	-	1,724,694
Lease liabilities	4	-	13,816,653	13,816,653
Dividend payable		367,216	-	367,216
		<b>6,131,267</b>	<b>13,816,653</b>	<b>19,947,920</b>

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## Notes to the Consolidated Annual Financial Statements

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### 31. Financial instruments and risk management (continued)

#### Capital risk management

The Group's capital structure consists of cash and cash equivalents, restricted cash and equity attributable to equity holders of the Group which comprises issued share capital, share premium and accumulated earnings. The Group's capital management objective is to achieve an effective weighted average cost of capital while continuing to safeguard the Group's ability to meet its liquidity requirements, repay borrowings as they fall due and continue as a going concern, whilst concurrently ensuring that at all times its credit worthiness is considered to be at least investment grade. Management reviews the capital structure, analyses interest rate exposure and reevaluates treasury management strategies in the context of economic conditions and forecasts regularly. This could lead to an adjustment to the dividend yield and/or an issue or repurchase of shares.

This policy is consistent with that of the comparative period. The Group is not subject to any external capital requirements.

#### Financial risk management

##### Financial instrument risk exposure and management

There have been no substantive changes to the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note. Information disclosed has not been disaggregated as the financial instruments used by the Group share the same economic characteristics and market conditions.

Risk management is carried out by management under policies approved by the Board. The Board provides principles for overall risk management, as well as policies covering specific areas, such as interest rate risk and credit risk. The directors monitor their collections from the Group's receivables, movement in prime lending rates and the risks that the Group is exposed to based on current market conditions, on a monthly basis.

The principal financial instruments used by the Group, from which financial risk arises, are as follows:

- Restricted cash;
- Trade and other receivables;
- Cash and cash equivalents;
- Trade and other payables;
- Borrowings;
- Lease liabilities;
- Dividends payable; and
- Contingent consideration.

The Group is currently exposed to credit risk, liquidity risk and interest rate risk (which comprises cash flow interest rate risk).

The main purpose of financial liabilities is to raise finance to fund the acquisition of plant and equipment and intangible assets, working capital and future acquisitions.

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## Notes to the Consolidated Annual Financial Statements

### 31. Financial instruments and risk management (continued)

Procedures for avoiding excessive concentration of risk include:

#### Credit risk

- Maintaining a wide customer base;
- Continually looking for opportunities to expand the customer base;
- Reviewing current developments in technology in order to identify any product line which may increase margins in the future;
- Subjecting all customers to a credit verification procedure before agreements are entered into; and
- Reviewing the trade debtors' age analysis weekly with the intention of minimising the Group's exposure to bad debts.

#### Liquidity risk

- Maintaining cash balances;
- Effecting necessary price increases as and when required; and
- Reviewing the Group's bank accounts daily and transferring excess funds from the main current account to other facilities in order to increase the interest earnings to the Group.

#### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group is exposed to credit risk on restricted cash (note 8), trade and other receivables (note 10) and cash and cash equivalents (note 12). The management of credit risk exposure is detailed in the individual notes.

The maximum exposure to credit risk is presented in the table below:

		2023			2022		
		Gross carrying amount	Credit loss allowance	Amortised cost	Gross carrying amount	Credit loss allowance	Amortised cost
Restricted cash	8	690,000	-	690,000	690,000	-	690,000
Trade and other receivables	10	6,982,323	(436,494)	6,545,829	4,254,203	(705,593)	3,548,610
Cash and cash equivalents	12	2,378,705	-	2,378,705	2,346,724	-	2,346,724
		<b>10,051,028</b>	<b>(436,494)</b>	<b>9,614,534</b>	<b>7,290,927</b>	<b>(705,593)</b>	<b>6,585,334</b>

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## Notes to the Consolidated Annual Financial Statements

### 31. Financial instruments and risk management (continued)

#### Liquidity risk

The Group is exposed to liquidity risk, which is the risk that the Group will encounter difficulties in meeting its obligations as they become due.

The Group manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through cash generated from operations and shareholder funding when required. Deposits are held with reputable financial institutions. The management of liquidity risk is also achieved by monitoring the economy to ensure that necessary price increases are effected. There have been no defaults or breaches on trade payables during the course of the financial year.

The maturity profile of contractual cash flows are presented in the following table. The cash flows are undiscounted contractual amounts.

#### 2023

		Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total	Carrying amount
<b>Non-current liabilities</b>									
Borrowings	15	-	58,990	251,630	116,666	-	-	427,286	369,139
Lease liabilities	4	-	4,074,843	1,367,295	670,763	705,445	758,128	7,576,474	6,342,190
<b>Current liabilities</b>									
Trade and other payables	17	6,389,346	-	-	-	-	-	-	6,389,346
Borrowings	15	730,084	-	-	-	-	-	-	601,204
Lease liabilities	4	5,180,911	-	-	-	-	-	-	4,031,373
Dividend payable		146,445	-	-	-	-	-	-	146,445
		<b>10,895,641</b>	<b>4,133,833</b>	<b>1,618,925</b>	<b>6,753,006</b>	<b>6,753,006</b>	<b>6,753,006</b>	<b>8,003,760</b>	<b>17,879,697</b>

#### 2022

		Less than 1 year	2 to 5 years	Over 5 years	Total	Carrying amount
<b>Non-current liabilities</b>						
Borrowings	15	-	1,115,038	-	1,115,038	961,770
Lease liabilities	4	-	10,533,816	982,423	11,516,239	9,706,330
<b>Current liabilities</b>						
Trade and other payables	17	4,039,357	-	-	4,039,357	4,039,357
Borrowings	15	990,554	-	-	990,554	762,924
Lease liabilities	4	5,498,514	-	-	5,498,514	4,110,323
Dividend payable		367,216	-	-	367,216	367,216
Contingent consideration	16	1,528,755	-	-	1,528,755	1,528,755
		<b>19,145,191</b>	<b>11,648,854</b>	<b>982,423</b>	<b>25,055,673</b>	<b>21,476,675</b>

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## Notes to the Consolidated Annual Financial Statements

### 31. Financial instruments and risk management (continued)

#### Interest rate risk

The Group policy with regards to financial assets, is to invest cash at floating rates of interest and to maintain cash reserves in short-term investments in order to maintain liquidity, while also achieving a satisfactory return for shareholders.

There have been no significant changes in the interest rate risk management policies and processes since the prior reporting period.

#### Interest rate profile

The interest rate profile of interest bearing financial instruments at the end of the reporting period was as follows:

	Note	Average effective interest rate		Carrying amount	
		2023	2022	2023	2022
<b>Variable rate instruments:</b>					
<b>Assets</b>					
Cash and cash equivalents	12	5.25%-6.23%	4.65%-5.25%	2,378,705	2,348,524
Restricted cash	8	5.25%-6.23%	4.65%-5.25%	690,000	690,000
				<b>3,068,705</b>	<b>3,038,524</b>
<b>Liabilities</b>					
Borrowings	15	18.25%-20.45%	15.98%-20.85%	(970,343)	(1,724,694)
Lease liabilities	4	8.75%-20.45%	9.8%-16.38%	(10,373,563)	(5,249,785)
				<b>(11,343,906)</b>	<b>(6,974,479)</b>
<b>Net variable rate financial instruments</b>				<b>(8,275,201)</b>	<b>(3,935,955)</b>
<b>Fixed rate instruments:</b>					
<b>Liabilities</b>					
Lease liabilities	4		10.47%	-	(424,435)
<b>Net fixed rate financial instruments</b>				<b>-</b>	<b>(424,435)</b>

#### Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date.

At 30 June 2023, if the prime interest rate had been 1.50% per annum (2022: 1.50%) higher or lower during the period, with all other variables held constant, profit or loss for the year would have been R 60,409 (2022: R 42,508) lower and R 60,409 (2022: R 42,508) higher.

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## Notes to the Consolidated Annual Financial Statements

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### 32. Going concern

The directors have evaluated the Group's solvency and liquidity position and draw attention to the fact that as at 30 June 2023, the Group's current liabilities exceeded its current assets by R1 485 053 (2022: R2 391 961).

The Directors believe that the Group has adequate financial resources to continue in operation for the foreseeable future and accordingly the Consolidated Annual Financial Statements have been prepared on a going concern basis. The Directors have satisfied themselves that the Group is in a sound financial position and that it has access to sufficient shareholder loan facilities available to meet its foreseeable cash requirements.

The Directors are not aware of any new material changes that may adversely impact the Group. The Directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Group.

### 33. Events after the reporting period

Other than that disclosed below, the Directors are unaware of any significant adjusting or disclosable events that have occurred between the end of the financial year and the date of this report that may materially affect the Group's results for the year under review or its financial position as at 30 June 2023:

- Dividend number 60 of 0.1 cents per share was declared on 13 July 2023 and paid to all shareholders recorded in the share register of the Company at the close of business on 4 August 2023.
- MJ Krastonov was appointed to the Board of Directors with effect from 20 September 2023 and has been appointed as the Chairperson of the Committee.

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## Notes to the Consolidated Annual Financial Statements

### 34. Segment reporting

The reportable segments reflect the operating model of the Group and is consistent with the way the business is managed and reported on by the CODM.

During the year, the Group changed the way the business is reported on by the CODM. As a result, the Group's reporting segments for the period ended 30 June 2023 are Catalytic Connections & Contineo; PerfectWorx; Ultra DC and Corporate. The comparatives have been restated accordingly as Catalytic Connections and Contineo engage in similar business activities.

Management monitors the operating results of its business units separately for the purpose of resource allocation and performance assessment. Monthly management meetings are held to evaluate the individual segment performance. The CODM does not monitor assets and liabilities by segment.

**Catalytic Connections (Pty) Ltd ("Catalytic Connections")** is a diversified ICT managed solutions provider to medium and small enterprises through a comprehensive suite of products and services focused on digital connectivity, cloud communications, cloud services and cloud security.

**Contineo Virtual Communications (Pty) Ltd ("Contineo")** operates a Next Generation Unified Communications ("UC") platform based on Cisco BroadSoft technology. The platform enables customers to migrate all their voice and UC traffic into the cloud and transformed Contineo from a traditional wholesale reseller of voice minutes into the largest independent wholesaler supplier of the Cisco BroadSoft communications platform in South Africa.

**PerfectWorx Consulting (Pty) Ltd ("PerfectWorx")** is a niche network systems integrator that builds and operates networks for or with customers, supplies technology to build networks or provides specific solutions for customer's network requirements. It enjoys key technology partnerships with Cisco Meraki, Fortinet, Oracle, exaware, Sonus and Juniper Networks, among others.

**Ultra Data Centre (Pty) Ltd ("Ultra DC")** built and operates a data centre located outside of Pretoria. This data centre is a vendor & carrier neutral facility that features several unique data centre capabilities including smart rack infrastructure, ultra-secure physical environment, and connectivity vendor redundancy. Due to its location just outside the principal jurisdictions of many other data centres, it specializes in ultra-secure disaster recovery capabilities but also functions as a primary data centre for clients. Unique among data centres, it has massive and scalable utility power availability. The building is extremely physically secure with national key point (bunker type) construction. It has significant white space scalable on demand.

### 2023

	<b>Catalytic &amp; Contineo</b>	<b>PerfectWorx</b>	<b>Ultra DC</b>	<b>Corporate</b>	<b>Consolidation</b>	<b>Total</b>
<b>Revenue<sup>^</sup></b>						
Revenue - external	57,211,022	4,913,328	2,039,132	-	-	64,163,482
Revenue - internal	8,095,720	4,014,002	1,552,153	7,954,032	(21,615,907)	-
	<b>65,306,742</b>	<b>8,927,330</b>	<b>3,591,285</b>	<b>7,954,032</b>	<b>(21,615,907)</b>	<b>64,163,482</b>
<b>EBITDA*</b>	<b>4,450,327</b>	<b>363,455</b>	<b>1,645,677</b>	<b>2,236,132</b>	<b>(7,749)</b>	<b>8,687,842</b>
Adjusted for:						
Depreciation and amortisation	(4,327,073)	(7,575)	(498,161)	(1,581,504)	-	(6,414,313)
Investment income	54,698	-	-	139,005	-	193,703
Finance costs	(753,677)	-	(180,507)	(826,023)	-	(1,760,207)
<b>Net profit (loss) before tax</b>	<b>(575,725)</b>	<b>355,880</b>	<b>967,009</b>	<b>(32,390)</b>	<b>(7,749)</b>	<b>707,025</b>
<b>Total assets</b>	<b>19,535,415</b>	<b>4,835,630</b>	<b>3,332,321</b>	<b>51,783,391</b>	<b>(23,740,144)</b>	<b>55,746,613</b>
<b>Total liabilities</b>	<b>22,775,412</b>	<b>2,585,677</b>	<b>3,641,444</b>	<b>12,904,354</b>	<b>(23,575,108)</b>	<b>18,331,779</b>

# TeleMasters Holdings Limited

(Registration number 2006/015734/06)

Consolidated Annual Financial Statements for the year ended 30 June 2023

## Notes to the Consolidated Annual Financial Statements

### 34. Segment reporting (continued)

2022

	Catalytic & Contineo	PerfectWorx	Ultra DC	Corporate	Consolidation	Total
<b>Revenue<sup>^</sup></b>						
Revenue - external	63,223,948	1,358,541	419,461	-	-	65,001,950
Revenue - internal	7,737,641	3,897,652	1,038,079	10,096,519	(22,769,891)	-
	<b>70,961,589</b>	<b>5,256,193</b>	<b>1,457,540</b>	<b>10,096,519</b>	<b>(22,769,891)</b>	<b>65,001,950</b>
<b>EBITDA*</b>	<b>2,123,026</b>	<b>199,929</b>	<b>180,528</b>	<b>4,535,243</b>	<b>(17,198)</b>	<b>7,021,528</b>
Adjusted for:						
Depreciation and amortisation	(3,968,334)	(27,762)	(320,542)	(3,231,669)	-	(7,548,307)
Investment income	33,840	-	-	138,999	-	172,839
Finance costs	(848,488)	(40)	(335,897)	(1,156,310)	-	(2,340,735)
<b>Net profit (loss) before tax</b>	<b>(2,659,956)</b>	<b>172,127</b>	<b>(475,911)</b>	<b>286,263</b>	<b>-</b>	<b>(2,694,675)</b>
<b>Total assets</b>	<b>21,076,282</b>	<b>2,582,334</b>	<b>3,466,586</b>	<b>47,775,882</b>	<b>(17,017,784)</b>	<b>57,883,300</b>
<b>Total liabilities</b>	<b>23,800,789</b>	<b>643,184</b>	<b>4,421,922</b>	<b>15,496,139</b>	<b>(22,686,609)</b>	<b>21,675,425</b>

\* Earnings before interest, tax, depreciation and amortisation

<sup>^</sup> Refer to note 18 for disaggregation of revenue.

No single customer comprised more than 10% of the Group's revenues in the current and prior year. There were no non-current assets belonging to the Group that are domiciled outside of South Africa in the current and prior year. There was no revenue from foreign countries in the current and prior year.