TELE MASTERS HOLDINGS

# INTEGRATED ANNUAL REPORT 2021

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# HIGHLIGHTS

**Revenue** decreased ▽ by **4.6% to R 76 million** due to impact of Covid-19 pandemic

**R 3.9 million invested** in the data centre industry with the **acquisition** of **ConexLink** which has been **rebranded** as **Ultra Data Centre "Ultra DC"** and owns and operates a **data centre** outside of Pretoria

**Focus on** delivering **cost-predictable subscription-based** services gained momentum and **yielding positive results**

Gross profit margin improved △ from 39.6% to **49.3%** driven by the **successful integration** of **Contineo** and **PerfectWorx** into **Group operations**

**Investment** of **R 8.7 million** to **acquire 56 Rittal smart racks** to **generate revenue** in the **data centre business**

**Dividends 6.4 cents per share** declared during the year

**Final dividend** of **1.6 cents per share declared**

TELE MASTERS HOLDINGS

# CORPORATE PROFILE

TeleMasters Holdings is a technology focused investment Company. Entities within the Group are complementary towards each other with a key focus on enhancing digital transformation, accelerating smart working environments and empowering the 'gig' economy. Our vision is to create and accelerate shareholder value through responsible growth, acquisitions and investments.

## TELEMASTERS VISION AND MISSION

Our **Vision** will always be that of collaborating with our customers, partners and people to ensure valued congruence of ICT solutions. Customers typically choose and stay with us because we become trusted advisors of choice for all their technology-related requirements.

Our **Mission** is to cultivate professional relationships with our customers to provide effective and reliable ICT solutions that satisfy all their needs. Our experience makes us uniquely positioned to offer solutions that unlock greater operational efficiencies, productivity gains and cost savings regardless of the industry or the location of our customers.

The Group consists of the following entities:

catalytic

CONTINEO
VIRTUAL COMMUNICATIONS

perfectworx
CONSULTING

ULTRA
DATACENTRE

catalytic

Our passion to improve the human connection - over and above our technology offering - has become the underlying motivation for everything we do and offer.

Catalytic is not just in the business of cutting edge technology – that's a given. We believe that ICT serves only one purpose, to connect! So we are actually in the business of connecting people.

We know that every great business is built on great connections between great people. The conversation is between people. The connection is between people. As people, we facilitate our lives through the creation of things, tools and processes. And – so easily overlooked – to be of use, all these things, tools and processes must have an end user.

It's never actually been about technology. It's always been and still is about people. And that goes for ICT too, especially as we migrate into an increasing interconnected world where connections matter.

CONTINEO
VIRTUAL COMMUNICATIONS

The days of choosing a "reliable" technology vendor and adapting your business around system capabilities are over. Technologies must serve, enhance and simplify business - not the other way around.

At Contineo Virtual Communications, our purpose is to facilitate the sharing of experiences by simplifying ICT so that solutions, systems and processes enhance productivity and serve the demands of business by enabling faster and seamless communication.

# CONSULT, ENGINEER, EXECUTE.

At PerfectWorx, we believe that technology decisions should be driven by business requirements. We endeavour to comprehensively understand our customers' business requirements and deliver technologies that work for them.

We deliver complete solutions to our customers to maximise the value, efficiency and performance of their network assets.

# SHAPING YOUR DIGITAL FUTURE

Ultra DC owns and operates data centres, from micro data centres to larger high power density environments. Ultra DC builds facilities to exceed usual industry norms and standards. We believe that the environment should be flexible enough to handle the most demanding and bespoke customer requirements.

Ultra DC provides a hybrid data environment that accommodates carrier neutral managed co-location services.

# Chairman and CEO's Statement

Pretorius, Mario Brönn

Chairman

Voigt, Jaco-Muller

Chief Executive Officer

The past year will go down in history as a period of great worldwide uncertainty and unpredictability. Multiple waves of Covid-19 infections, government imposed national lockdowns and serious political unrest has made operating conditions extremely difficult. Businesses need stability to operate with confidence and positivity and plan for future growth. As we reflect on this past year, we are inspired by the grit displayed by our customers that keep forging ahead during very difficult times.

As we gaze into the future, we are cognisant that the world of work has changed forever. Hybrid working - where employees work sometimes in the office and sometimes from elsewhere - is without a doubt the new way. This paradigm shift has changed how business applies technology, and our Group is responding accordingly.

## Operating Companies

### Catalytic

Catalytic is a 'managed technology services' service provider that serves the corporate sector in the South African market. Its primary function is to serve as a trusted advisor to our customers and offer the best technology solutions that solve their business needs and challenges. We have created a "Solution Roadmap" that guides our customers on their journey of digital transformation and provides certainty that their technology future is in capable hands.

### Our core values are reflected by our commitment to SPARK:

Simplicity – removing the complexity from IT for our customers to allow them to focus on their core business.

Passion – passionate about going the extra mile for our customers and providing them with world-class solutions.

Accountability – taking responsibility for our decisions and actions, and consistently doing what is best for the business.

Real Teamwork – working as a team to deliver our best while being honest about our shortcomings and celebrating our successes.

Knowledge is power – constantly seeking out innovative ways to improve and share our knowledge to the benefit of our customers and team members.

### Contineo Virtual Communications

Contineo Virtual Communications offers 'best-of-breed' communications and 'collaboration solutions' on a wholesale basis to the corporate sector. The evolution of the hybrid world of work has rocketed this offering to centre stage of every technology roadmap in corporate South Africa. Collaborations have evolved beyond just basic video meetings to advanced capabilities such as having virtual assistants taking minutes of meetings, participation and voice-tone tracking - all in pursuit of optimising the virtual office experience and ultimately increasing the productivity of customers.

### PerfectWorx Consulting

PerfectWorx is a niche networking systems integrator that specialises in next generation IP technologies. PerfectWorx consults on network architecture, design and operates networks for and with customers.

### Ultra DC

Ultra Data Centre owns and operates a data centre facility located outside of Pretoria, South Africa. This facility is specifically designed to offer personalised co-location solutions with a specific emphasis on network security and disaster recovery.

World-wide, data centres are a high growth business. While Ultra DC is still a new business, we have attracted substantial interest from local and international companies seeking an enhanced alternative to current offerings in the South African market. We firmly believe that our unique mix of smart rack technology, high power availability and highly personalised service will make Ultra a very sought after solution in its sector.

## Business Performance

A key goal for the Group remains to offer subscription-based services to our customer base instead of traditional usage-based service. There is a continued and focused effort underway to roll out our better priced subscriptions to our historical customers based on annuity offerings that deliver certainty to our customers. This strategy underpins one of our key goals: to help customers achieve a proper Return on Investment (ROI) on their technology infrastructure.

## Commentary on Operating Results

Revenue decreased by 4.6% to R 76 million mainly due to reduced variable usage services arising as a result of lockdown regulations which resulted in many of our clients implementing work from home procedures that reduced their consumption of corporate voice minutes. The Covid-19 pandemic sadly resulted in several of our customers being forced to close their businesses. With customers in a ‘consolidation frame of mind’, we focused on supporting our customers to navigate these difficult circumstances. Our sustained focus on delivering cost-predictable subscription-based services has gained momentum and started to yield positive results.

Our data centre business continues to attract substantial interest from the corporate market and significant groundwork has been laid for future growth. We invested in 56 Rittal smart racks at a cost of R 8.7 million during the year and acquired the remaining 75% shares in the ConexLink (Pty) Ltd for a cash consideration of R 3.9 million to enhance and grow the Group’s value proposition in the data centre industry.

With the economic slowdown continuing, the re-assessment of the useful lives of assets resulted in additional depreciation of R 1.9 million compared to the prior year.

The gross profit percentage improved to 49.3% compared with 39.6% in the prior period mainly driven by the successful integration of Contineo Virtual Communications (Pty) Ltd. (“Contineo”) and PerfectWorx Consulting (Pty) Ltd. (“PerfectWorx”) arising from their acquisitions with effect from 1 July 2020. The increase in operating expenses includes a provision for a net loss allowance of R 3.1 million on a contract where the risk profile changed significantly as well as additional operating costs associated with the acquisitions of Contineo and PerfectWorx. Catalytic Connections (Pty) Ltd. ("Catalytic Connections"), a wholly owned Group subsidiary, has initiated legal proceedings in the High Court of South Africa, Gauteng Division, Pretoria, to collect revenues associated with such contract which proceedings comprise of an application to liquidate the customer and concurrently realise a personal suretyship signed by the CEO of the customer.

Taken together, such circumstances were the principal causes for a loss for the period of R 3.94 million compared to a profit of R 1.09 million for the comparative period. Earnings per share decreased from 2.59 cents per share to a loss of 7.82 cents per share.

While profits are impacted by substantial amounts of non-cash flow expenses including depreciation, amortisation and a provision for loss allowances, the Group continued to generate good operating cash flows from operations. Positive cash generation remains a key component of our business and reflects our mission to build an annuity-based business that proactively manages operating costs and maximises operating efficiencies across all subsidiaries.

The Group continued to invest in capital equipment during the period to create additional revenue growth opportunities. Although a large portion of this investment was financed externally, a portion was financed using the Group’s own cash resources.

The current working capital ratio, excluding the contingent consideration in respect of shares to be issued in 2022 for the achievement of profit warranties, is 1.33:1. Non-current assets of R 51.0 million compare favourably with non-current liabilities of R 13.1 million.

The net asset value decreased from 78.5 cents per share to 66.8 cents per share. This position was impacted by consistent dividends of 6.40 cents per share which were paid during the period.

## Future Outlook

The evolution of work and global uncertainty has proven our solutions strategy to be robust and even more relevant to our customers. As the global pandemic subsides and businesses look forward to growth again, we are optimistic and excited about what the next year holds.

We believe that our unique Ultra DC offering, coupled with value-added services such as large capacity, high-speed connectivity and managed security solutions, offer a compelling alternative to the market.

We know that the Group’s single-minded focus to offer solutions into the market that enable customers to focus on their core business while knowing that their technologies are future-proofed will pay dividends to both our customers and shareholders.

# CHAIRMAN AND CEO'S STATEMENT (Continued)

## Appreciation

We would like to express our heartfelt appreciation to all our stakeholders for supporting us throughout the past year:

Customers – you are the reason we exist. You fuel our passion to make your world a better place by working together.

Team Members – your commitment to our shared vision and goal is commendable and inspiring. We truly appreciate your sacrifices and efforts.

Board – you are a guiding light and share knowledge and experience that ensures the Group's continued success.

We look forward with great excitement at what this next year will bring.

Lastly, we extend our condolences to the family, friends and colleagues of Marthinus Erasmus, a long serving Independent Non-Executive Director and Chairman of our Audit and Risk Committee, who passed away on 4 June 2021. Marthinus was an exceptional man, leader, director, mentor and friend. We are a better Company and better people for the time blessed with him, and we are saddened by our loss and even more saddened by the loss to his family.

**Pretorius, Mario Brönn**
Chairman

**Voigt, Jaco-Muller**
Chief Executive Officer

# THE BOARD

during the year under review

Mr Jaco-Muller Voigt
Chief Executive Officer (47)

Mr Mario Brönn Pretorius
Non-Executive (64)

Mr Marthinus Gerhardus Erasmus
Independent Non-Executive (53)

Mr Willem Frederik Steinberg
Independent Non-Executive (57)

Ms Mariette Tappan
Independent Non-Executive (58)

Dr David John Bate
Independent Non-Executive (53)

Mr Johannes Lodewikus Roos
Chief Financial Officer (61)

# DIRECTORS' PROFILES

## Mr Mario Brönn Pretorius
Non-Executive (64)

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

In 1984 Mario obtained his MBA from the University of Cape Town and in 1985 he joined Traditional Beer Investments, the development division of the SAB Group Limited, as Marketing Manager and also became a Director of Avens Investments (Pty) Ltd. Mario was also appointed Managing Director of Aida National Franchises (Pty) Ltd and Director of Aida Holdings Limited which he helped list in 1987. In 1988 he joined Okifax, a division of MALBAK Limited, as Managing Director and a Non-Executive Director of Nimbus Holdings Limited. Mario has established various communications support companies and Zero Plus Developments. He has been a pioneer in the least cost routing (LCR) industry and the driving force behind the growth and expansion of TeleMasters.

## Mr Jaco-Muller Voigt
Chief Executive Officer (47)

Jaco obtained a Bachelor of Social Sciences degree in 1996 from the University of the Orange Free State. He started his career in the communications industry at DataPro in 1998 and held various management positions in the organisation – the last one being founder and Managing Director of VoxTelecom. VoxTelecom was a pioneer in Next Generation IP Voice service provision in South Africa.

Jaco left VoxTelecom in 2007 to start PerfectWorx Consulting, a specialist consulting business providing professional services to operators entering the Next Generation Network realm. PerfectWorx Consulting currently provides services to a wide range of players in the ICT industry ranging from incumbent operators to various VANS operators.

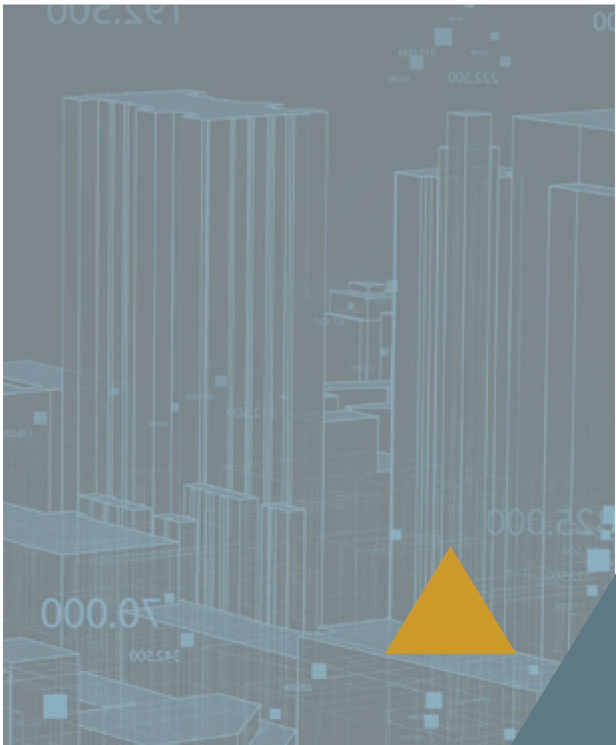
In 2010 Jaco started Contineo Virtual Communications, a wholesale cloud communications provider. What started out as a virtual PABX offering subsequently evolved into a complete unified communications platform that enables business to quickly manage and share information of all types between mobile employees, virtual teams and dispersed customers.

Jaco was appointed CEO of TeleMasters Holdings Limited on 1 January 2018.

# DIRECTORS' PROFILES (CONTINUED)

### Mr Johannes Lodewikus Roos
Chief Financial Officer (61)

Wikus is a CA(SA) with 38 years' experience, 31 years of which was as a partner in the Gauteng Assurance practice of PwC where he served a wide range of multinational, listed and small to large private clients across a range of industries. During this time, Wikus spent 12 years as a member of the PwC Gauteng Audit Executive as Group Leader.



### Mr Marthinus Gerhardus Erasmus
Independent Non-Executive (54)

Marthinus has a B.Acc. (Hons) degree, is a registered CA(SA) and holds an Executive Leadership certification from the University of South Africa. After qualifying and serving articles at PwC, he worked in various large corporate environments where he gained experience in finance, business management, strategic negotiations, and corporate finance (M&A) before joining AST in 1998 as the Financial Director. AST was listed on the JSE shortly thereafter.

After leaving the corporate world, Marthinus pursued a career in corporate finance (M&A) where he managed and led a number of companies while completing transactions and capital raisings in a wide range of industries.

Marthinus has extensive experience across various continents in finance, M&A, black economic empowerment transactions, strategy development and execution, corporate transactions and business turnarounds. Marthinus was CEO of the Sperosens group of companies.

Marthinus passed away on 4 June 2021 after a brief illness. He was a valued member of the Telemasters family and will be greatly missed by all of us.

# DIRECTORS' PROFILES (CONTINUED)

### Mr Willem Frederik Steinberg (Fred)
Independent Non-Executive (57)

Fred has been involved in the ICT industry for 33 years, initially as a software engineer and project manager and subsequently as the founder of a number of successful IT firms including: Communication Genetics, a South African-based leading provider of Customer Communication Solutions and Isonet SA, an end-to-end cloud-based customer communications management solution. He is a founder and director of I Am App (Pty) Ltd, a company that enables enterprise digital transformation solutions by providing market leading products and turnkey services in the African market.

### Ms Mariette Tappan
Independent Non-Executive (58)

Mariette, (B.Com, CFP®, CeFT®) is a partner at Adviceworx, a financial advice business that assists clients to grow and preserve their wealth. She was previously an Executive Financial Advisor at Liberty Life. She currently serves on the Financial Planning Institute, Client Engagement Committee. She is a member of the Woman in Finance Organisation and the South African Council for Business Women (SACBW). Mariette is currently the only Certified Financial Transitionist Planner in Africa. With over 29 years of experience, she is an industry pioneer with a deep-rooted commitment to holistic financial health based on making well-informed decisions. Mariette believes in the value that diversity brings to the economy and supports thoughtful leadership and creativity. She advocates for authenticity and value-driven service for clients.

### Dr David John Bate
Independent Non-Executive (53)

David has over 25 years of experience making an impact as an investment banker, entrepreneur and educator. He is the founder of Brookwood Capital Corporation, an investment banking firm that specialises in Africa, the Middle East and Asia across M&A, privatisations, PPP's, debt finance and private equity. He previously worked for ABN AMRO Bank NV and ABN AMRO Securities (Pty) Limited in Johannesburg and the Royal Bank of Canada in Singapore, among other prior work experience. David has founded several businesses in the software, financial technology, real estate and wine industries. He has also taught ICT, banking and public administration courses at university and professional levels. David holds seven academic qualifications, including: a Doctor of Public Administration from the University of South Africa; a Master of Science and Master of Business Administration from Institut des Hautes Etudes Economiques et Commerciales in France; and a Master of Public Administration, Juris Doctor and Bachelor of Arts from the University of Victoria in Canada.

David has a passion for identifying and growing business and investments on a sustainable and profitable basis. He has significant experience with business development, strategy, partnerships, corporate governance, the mentoring of multi-disciplinary teams across multiple time zones and building businesses, projects and teams from the ground up across all cycles (start-up, growth, turn around, maturity and exit).

Among other organisations, he is a member of the Institute of Directors in Southern Africa (IoDSA) and Institute of Corporate Directors (ICD) in Canada.

# Corporate Governance Report

# CORPORATE GOVERNANCE REPORT

The Board hereby confirms its commitment to the principles of integrity, competence, fairness, accountability, responsibility and transparency. Through this process, Shareholders and other stakeholders may derive assurance that the Group is being managed ethically in accordance with prudently determined risk parameters and in compliance with generally accepted corporate practices. The Board has examined the principles and practices of the King IV Report and the JSE Listings Requirements with regards to corporate governance. Due consideration has been given to implementation to such prescriptions and guidelines within the Group. At a minimum the Board has complied with the following:

## 1. Composition and Independence of the Board

The Directors bring a wide range of experience, diversity, insight and independence of judgment on issues of strategy, performance, resources and standards of conduct to the Board.

The Group has a unitary Board structure with a Chairman who is elected by the Board. The roles of Chairman and Chief Executive Officer (CEO) are separated. The Board currently consists of four non-executive Directors and two executive Directors. The non-executive Directors are not appointed under service contracts. Three of the four non-executive Directors are independent.

The Directors' terms of office are as follows:

| Director | Years on the Board | |
|---|---|---|
| Bate, David John – Non-executive, independent | 1.5 years | |
| Erasmus, Marthinus Gerhardus – Non-executive, independent | 7 years | Passed away on 4 June 2021 |
| Pretorius, Mario Brönn – Non-executive | 14.5 years | |
| Steinberg, Willem Frederik – Non-executive, independent | 3 years | |
| Tappan, Mariette – Non-executive, independent | 3 years | |
| Voigt, Jaco-Muller – Executive | 13 years | |
| Vosloo, Jackie Michael – Executive | 2 years | Resigned with effect from 31 October 2020 |
| Roos, Johannes Lodewikus – Executive | Appointed 1 November 2020 | |

Due to required rotation of Directors, WF Steinberg and M Tappan will retire as Directors. Both will offer themselves for re-election at the Annual General Meeting of Shareholders. Their curricula vitae are set out under the Directors' Profiles section of this report.

None of the Directors' remuneration is tied to the Group's financial performance.

At each Board meeting, any interest that a Director may have on any matters on the agenda are disclosed prior to commencement of the meeting in accordance with section 75 of the Companies Act, No. 71 of 2008, as amended ("Companies Act"). All Directors are aware of their duty to make full disclosure of any interests and, if there are any material interest, the affected Director is recused from the meeting and does not participate in the decision making on the matter in which they have an interest.

The Board meetings are attended by a representative of the Company's designated advisor in accordance with the JSE Listings Requirements for companies listed on the Alternative Exchange of the Johannesburg Stock Exchange ("AltX").

The Board sits at least four times per annum. Directors are properly briefed in respect of special business prior to Board meetings and information is timeously provided to enable them to consider all the issues being dealt with. Directors make further enquiries where necessary.

The attendance of Directors at Board meetings during the period under review, considering their dates of appointment and/or resignation, was as follows:

| Name | # of meetings | # of meetings attended |
|---|---|---|
| Bate, David John | 6 | 6 |
| Erasmus, Marthinus Gerhardus | 5 | 5 |
| Pretorius, Mario Brönn | 6 | 6 |
| Steinberg, Willem Frederik | 6 | 6 |
| Tappan, Mariette | 6 | 6 |
| Voigt, Jaco-Muller | 6 | 6 |
| Vosloo, Jackie Michael | 3 | 3 |
| Roos, Johannes Lodewikus | 3 | 3 |

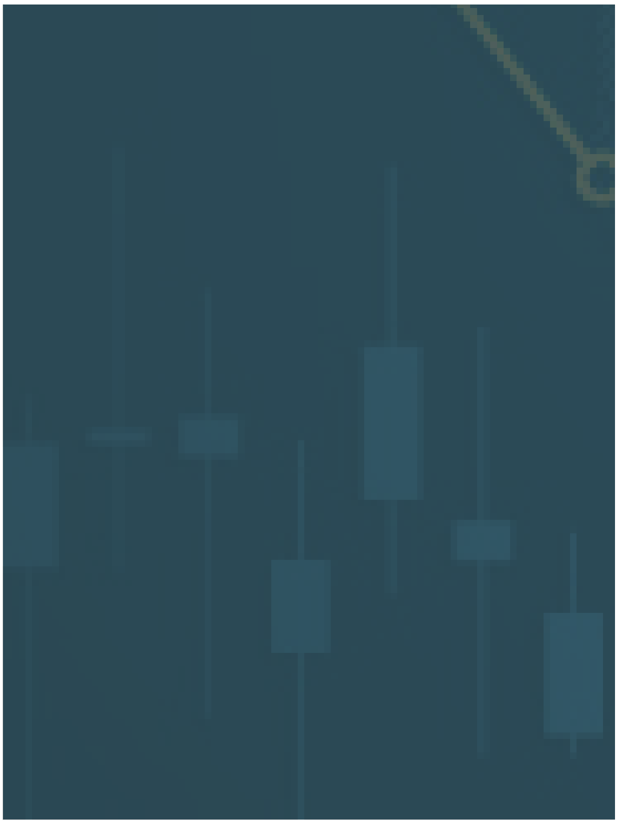
# CORPORATE GOVERNANCE REPORT (CONTINUED)

### 1.1. Chairman of the Board

The Chairman is elected by the Board. The Chairman is a Non-Executive Director. The Chairman is not a member of the Audit and Risk Committee and does not chair the Remuneration Committee.

The roles and responsibilities of the Chairman include:

- Setting the ethical tone for the Board and the Group;
- Providing overall leadership to the Board;
- Managing relationships with Shareholders and stakeholders for trust and confidence;
- Meeting with the CEO and/or CFO and/or Company Secretary before Board meetings to discuss important issues and agree on the agenda;
- Setting the agenda for Board meetings;
- Ensuring that complete, timely, relevant and accurate information is placed before the Board for informed decisions;
- Presiding over Board meetings and ensuring productive Board meetings;
- Presiding over Shareholders' meetings;
- Formulating a work plan for the Board against its set objectives;
- Ensuring that the Board's decisions are executed;
- Managing Directors' conflicts of interest by ensuring Directors recuse themselves from voting on matters on which they have declared an interest;
- Evaluating the independence of the Independent Non-Executive Directors annually;
- Acting as the link between the Board, the CEO and management;
- Mentoring, developing and encouraging the Directors;
- Conducting a formal annual performance evaluation of the Board, the Directors and Board Committees;
- Identifying training needs of the Directors;
- Adopting a programme of continuing professional education of the Directors;
- Chairing the Search Committee involved in the selection and nomination of Board members;
- Overseeing the succession plan for the Board and senior management; and
- Recommending the removal of non-performing or unsuitable Directors.



### 1.2. Chief Executive Officer

The CEO is appointed by the Board. The CEO has ultimate responsibility for all management functions but may delegate these to management team members.

The CEO is not a member of the Remuneration Committee or Audit and Risk Committee but is invited to attend the meetings of these Committees.

The roles and responsibilities f the CEO include:

- Establishing the organisational structure for the Group;
- Recommending or appointing the executive team;
- Organising succession planning for the executive team;
- Conducting performance appraisals for the executive team;
- Developing the Group's strategy over the short and long term for approval by the Board;
- Developing and recommending business plans and budgets;
- Monitoring and reporting on the Group's performance to the Board;
- Monitoring and reporting on the Group's compliance with laws and corporate governance to the Board; and
- Creating a corporate culture that promotes sustainable ethical practices, encourages integrity and fulfils the Group's social responsibility.

# CORPORATE GOVERNANCE REPORT (CONTINUED)

## 2. Appointment and Re-election of the Board

Directors are appointed based on the needs of the Group and the nature of its business and to ensure diversity in terms of qualifications, technical expertise, industry knowledge, experience, nationality, age, race and gender.

The size of the Group does not, at this point in time, warrant the establishment of a Nomination Committee.

The following procedures are followed regarding any changes to the Board:

- A Search Committee will be formed to consider filling any vacancies in the Board and any Board Committees;
- The Search Committee will undertake a needs assessment and formulate a position description to be agreed by the Board;
- The Search Committee will undertake a search for suitable candidates to serve on the Board and/or any Board Committees;
- The Search Committee will evaluate candidates identified through such search process;
- The Seach Committee will make recommendations to the Board regarding the filling of any vacancy on the Board and / or any Board Committees;
- Any new appointment will be considered by the Board as a whole;
- Appointments to the Board are based on levels of skill, acumen, qualifications, experience and actual or potential contributions to the Group having due regard to employment equity, race, age, culture, gender diversity and fields of knowledge; and
- The Company Secretary will ensure that every new Director satisfies the JSE AltX Requirement for Directors, including completion of the JSE Directors Induction Programme, as well as relevant Companies Act provisions, and will provide every new Director with an induction session to ensure that every new Board member understands the Group, the business environment and their role and responsibilities as a Director of the Company.

Except for Mr JL Roos, who has partly completed the JSE's AltX Director Induction Programme, all the Directors have completed this Programme and otherwise satisfy the requirements of the Companies Act to serve as a Director of the Company.

## 3. Role and Function of the Board

The Memorandum of Incorporation of the Company (MOI) sets out the Directors' powers and conditions of appointment. The day-to-day management of the Group is vested in the Executive Directors.

The Board's main responsibilities include:

- Setting and monitoring strategy and operations based on the economic, social and environmental sustainability of the Group over the short and long term;
- Aligning Group strategy and performance with the interests and expectations of Shareholders;
- Establishing a proper corporate governance framework;
- Setting the ethical foundation for the Group through setting and adhering to a Code of Conduct;
- Examining opportunities and implementing measures to ensure that all opportunities are appropriately evaluated;
- Maintaining governance of risk;
- Maintaining governance of information technology;
- Establishing a framework for the delegation of authority;
- Setting a formal process for the appointment of Directors;
- Appointing a competent, suitably qualified and experienced Company Secretary;
- Establishing an effective and independent Audit and Risk Committee and approving its charter, agenda and work plan;
- Establishing a Remuneration Committee to ensure that Directors and executives are remunerated fairly and responsibly;
- Ensuring that the Group complies with all applicable laws and considers adherence to rules, codes and standards;
- Ensuring the integrity of the Group's Integrated Annual Report; and
- Reporting on the effectiveness of the Group's system of internal controls.

Two of the Board members are involved in the Group's operations daily. While retaining overall accountability and subject to matters reserved to itself, the Board has delegated authority to run the Group's day-to-day affairs to the CEO.

Directors have unfettered access to the Company Secretary. Directors are entitled to ask questions of any personnel and have unrestricted access to all Company documentation, information and property.

# CORPORATE GOVERNANCE REPORT (CONTINUED)

## 4. Board Committees

The Board has the following four standing committees through which it executes some of its duties: Audit and Risk Committee; Remuneration Committee; Social and Ethics Committee; and Shareholder Value Committee.

### 4.1. Audit and Risk Committee

The Board has established an Audit and Risk Committee as part of the Board's commitment to ensure a sound system of internal control to safeguard stakeholders' interests and the Group's assets. The terms and functioning of this Committee are fully set out in the Audit and Risk Committee report included in the Consolidated Annual Financial Statements (AFS).

For the majority of the year under review, the Audit and Risk Committee consisted of four Independent Non-Executive Directors but, following the passing of the Chairman of the Committee, Marthinus Erasmus, in June 2021, the Committee is currently comprised of three Independent Non-Executive directors. The Chief Financial Officer (CFO), all other Directors of the Company, the External Audit Partner and a representative of the Company's designated advisor are invited to attend all meetings but have no vote. The majority of the members of the Committee are financially literate.

Dr David Bate was appointed as the Acting Chairman of the Audit and Risk Committee with effect from 26 June 2021 pending the appointment of an additional Independent Non-Executive Director who will also serve as Chairperson of this Committee. Members of the Audit and Risk Committee collectively have the required qualifications and experience appropriate for the size, circumstance and industry of the Group with regards to integrated reporting, internal financial controls, external and internal audit procedures, corporate law, risk management, sustainability issues and governance of processes within the Group.

The Audit and Risk Committee convened on various occasions during the financial period under review as set out in the Audit and Risk Committee Report included in the Consolidated Annual Financial Statements of the Group. Members of the Audit and Risk Committee met with the External Auditors and Executive directors following completion of the audit for the year ended 30 June 2021.

The primary objective of the Audit and Risk Committee is to promote the overall effectiveness of corporate governance within the Group and includes:

- Ensuring the integrity of the Group's Integrated Annual Report, accounting and financial reporting systems;
- Ensuring compliance with applicable legislation and the requirements of regulatory authorities;
- Reviewing financial reports such as the Consolidated Annual Financial Statements, interim results announcements, integrated information, price-sensitive financial information, trading statements and circulars;
- Evaluating significant judgments and reporting decisions, including changes in accounting policies, significant unusual items and materiality:
- Recommending the Consolidated Annual Financial Statements to the Board for approval;
- Reviewing the statement on going concern after taking into consideration the Group's future working capital requirements;
- Reviewing forecasts;
- Reporting on sustainability issues;
- Performing an annual review of the expertise, resources and experience of the Group's finance function including the CFO;
- Monitoring all contracts entered into by the Group in which any of the Directors are either beneficially or indirectly beneficially interested to ensure that all such contracts are fair and reasonable and in the best interest of the Group;
- Nominating for approval by Shareholders, the appointment or re-appointment of the External Auditors and designated External Audit Partner, who is independent of the Group;
- Approving the External Auditors' terms of engagement;
- Approving the External Auditors' remuneration;
- Reviewing, monitoring and reporting on the independence and objectivity of the External Auditors;
- Assessing the effectiveness of the external audit process annually;
- Defining a policy for the nature, extent and terms of non-audit services that may be performed by the External Auditors for approval by the Board;
- Handling disagreements between management and the External Auditors;
- Engaging External Auditors to provide an assurance report on any summarised financial information;
- Addressing concerns raised by the External Auditors;
- Receiving notice of reportable irregularities in terms of the Auditing Profession Act, No. 26 of 2005 from the External Auditors;
- Advising on monitoring or enforcement actions against the Group;
- Ensuring that the appropriate systems are in place for monitoring risk, financial control and compliance with the law and codes of conduct;
- Performing an annual review of the design, implementation and effectiveness of internal financial controls;
- Reviewing arrangements made by the Group for "whistle blowing";
- Approving amendments to the Group's Code of Conduct;

# CORPORATE GOVERNANCE REPORT (CONTINUED)

- Reporting to Shareholders at the Annual General Meeting and internally to the Board on how the Audit and Risk Committee carried out its functions;
- Reviewing the external audit and commenting on the Consolidated Annual Financial Statements, policies and internal control;
- Ensuring compliance with the King IV Report on Corporate Governance and compliance with the Group's Code of Ethics;
- Reviewing the Group's top risk and mitigation strategies;
- Reviewing the Group's directors' and officers' liability insurance; and
- Seeking confirmation from management regarding the Group's IT infrastructure and that it adequately supports the sustainability and performance objectives of the Group.

The Audit and Risk 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 Audit and Risk Committee met 6 times during the period under review. The attendance of Committee members at Audit and Risk Committee meetings during the year, taking into account their dates of appointment and / or resignation, was as follows:

| Name | # of meetings | # of meetings attended |
|---|---|---|
| Bate, David John** | 6 | 6 |
| Erasmus, Marthinus Gerhardus (Chairman)* | 5 | 5 |
| Steinberg, Willem Frederik | 6 | 6 |
| Tappan, Mariette | 6 | 6 |

* passed away on 4 June 2021
** appointed as Acting Chairman with effect from 25 June 2021


## 4.2. Remuneration Committee

The Remuneration Committee consists of four Non-Executive Directors. The Chairman is a Non-Executive Director.

The Remuneration Committee met once during the period under review. The attendance of Committee members at the Remuneration Committee meeting during the year, taking into account their dates of appointment and / or resignation, was as follows:

| Name | # of meetings | # of meetings attended |
|---|---|---|
| Bate, David John | 1 | 1 |
| Steinberg, Willem Frederik (Chairman) | 1 | 1 |
| Tappan, Mariette | 1 | 1 |

The primary objective of the Remuneration Committee is to set the remuneration of the Directors of the Company, including:

- Reviewing the Group's remuneration philosophy which dictates the remuneration policy;
- Considering the remuneration parameters for the CEO and Executive Directors;
- Reviewing proposed benefits to ensure that they are justified, correctly valued and properly disclosed;
- Reviewing the recommendations of management on fee proposals for the Chairman and Non-Executive Directors and determining, in conjunction with the Board, final proposals to be submitted to Shareholders for approval at the Annual General Meeting;
- Negotiating employment contracts for senior executives; and
- Ensuring proper disclosure of the remuneration of each individual Director and certain senior executives.

### Remuneration Philosophy

The Group's remuneration philosophy supports its business strategy to build sustainable value, both in the short and long term, for stakeholders by adopting a high-performance culture. In the opinion of the Remuneration Committee, the remuneration of the Board, Executive Directors and employees is fair and market related. The Board recognises the value of motivating employee and team success and applies its remuneration policy in relation to work roles, the marketplace in which the business operates and personal performance equally, fairly and consistently.

# CORPORATE GOVERNANCE REPORT (CONTINUED)

The Board, through the Remuneration Committee, has maintained this approach to ensure that remuneration is targeted at attracting and keeping employees with consistently high-performance standards. The Remuneration Committee and the Board recognise the value of inspiring individual and team success and is thus equitable, fair and consistent in applying the Group's remuneration policy.

### Governance and the Remuneration Committee

The Board carries ultimate responsibility for the remuneration policy. The remuneration policy and the implementation thereof are referred to Shareholders on an annual basis for the endorsement thereof and the remuneration of Non-Executive Directors is submitted to Shareholders for approval on an annual basis.

The Remuneration Policy includes the following:

- Remuneration paid to Directors is determined on a cost-to-Company basis and consists of a basic salary and travelling allowance for Non-Executive Directors and a basic salary and certain fringe benefits for Executive Directors with the amounts being based on each Director's level of day-to-day responsibility and activity. These packages are not linked to performance of the Group and the Group does not operate a share incentive scheme;
- Contracts do not allow for balloon payments on termination or severance compensation due to any change in control;
- Salaries that are fair, equitable and industry related are offered and performance to the stated goals are measured, reported, reviewed and rewarded;
- Performance payments are transparent and a true reflection of the measured contribution;
- No individual, irrespective of position, is present when their performance is evaluated and their remuneration discussed;
- No discrimination of any kind influences any remuneration decisions; and
- Key executive remuneration is approved directly by the Remuneration Committee.

The remuneration of each individual Director is set out in Note 32 of the Consolidated Annual Financial Statements.

In line with King IV, the Remuneration Policy and implementation thereof will be tabled for two separate non-binding advisory votes at the Annual General Meeting. If 25% or more of the Shareholders vote against either resolution at the Annual General Meeting, the Board will invite dissenting Shareholders to engage with the Remuneration Committee on their issues and will report back on the outcomes thereof and on any corrective measures taken.

### 4.3. Social and Ethics Committee

The Board has appointed a Social and Ethics Committee which comprises of three Non-Executive Directors of the Company. The Committee has adopted a Charter and Terms of Reference to monitor Company activities with reference to the law and best practices.

The Social and Ethics Committee met once during the period under review. The attendance of Committee members at the Social and Ethics Committee meeting during the year, taking into account their dates of appointment and / or resignation, was as follows:

| Name | # of meetings | # of meetings attended |
|---|---|---|
| Bate, David John | 1 | 1 |
| Erasmus, Marthinus Gerhardus | 1 | 1 |
| Steinberg, Willem Frederik | 1 | 1 |
| Tappan, Mariette (Chairwoman) | 1 | 1 |

The Social and Ethics Committee undertook the following activities during the year under review and up to the date of this report:

- Received feedback on the Group's response strategies to the Covid-19 pandemic;
- Oversaw the drafting of a Group Health and Wellness Policy;
- Received confirmation from management that the Group's activities are not in conflict with the principles of the United Nations Global Compact Principles;
- Oversaw the review of the Group's Gender Diversity Policy and Code of Conduct;
- Considered the Group's BEE status in the context of the size and nature of the Group's business; and
- Received feedback on the social projects undertaken by the Group and employees.

The Social and Ethics Committee confirms that:

- It has fulfilled its mandate as prescribed by the Companies Regulations to the Companies Act and that there are no instances of material non-compliance to disclose; and
- To the best of its knowledge and belief, the Company continues to act in compliance with the provisions of the Companies Act, 71 of 2008 and in conformity with its Memorandum of Incorporation.

# CORPORATE GOVERNANCE REPORT (CONTINUED)

### Attitude to Gratitude

The Group supports four local organisations / charities on a regular basis. The goal is to invest our time in other people and ultimately change our attitudes to gratitude. The staff has been giving both personal as well as workday time towards the following organisations:

- **Pretoria Dog Rescue**

  Various items such as toys, dog food, bedding and money have been donated towards the animal shelter. On visits, animals are taken for walks, played with, and bathed.

- **Dzulani Home**

  The Children's Care Centre resides in Vosloosrus. A significant amount of time is spent at the Care Centre with the goal to improve the home and the daily lives of the Care Centre Mother and more than 25 children at the home.

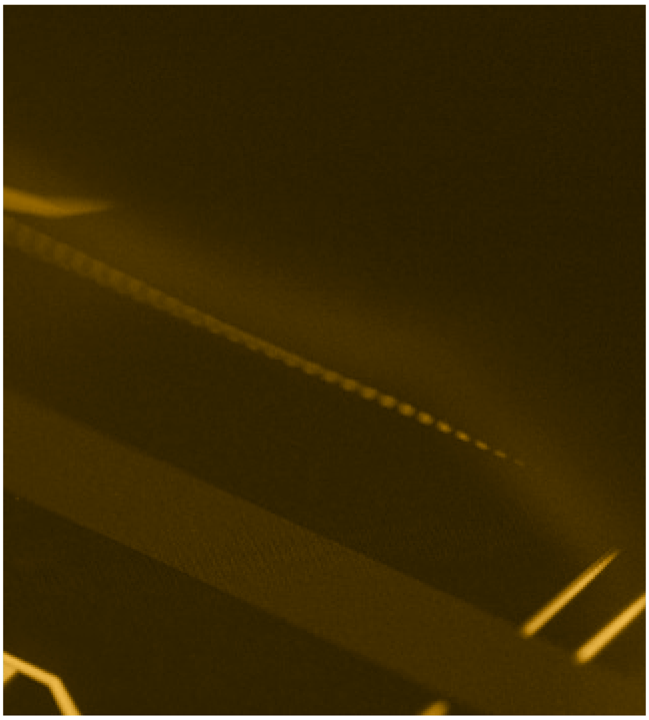
  We have donated multiple items towards the children's home. We proudly sponsor their voice connectivity and handsets.

- **Light House Baby Shelter**

  We have donated items such as baby clothes, toys, hygiene items and food. In addition, the children were entertained, and the staff spent a considerable amount of time with them.

- **Kids Haven**

  A team visited this charity to assist with children's entertainment. A donation drive was undertaken and items such as books, toys, clothes, and house items were collected and handed over to this charity.



### 4.4. Shareholder Value Committee

The Board has established a Shareholder Value Committee as part of the Board's commitment to developing, operating and growing a highly profitable business on a responsible and sustainable basis that maximises opportunities to create and accelerate Shareholder value. The Board has approved Terms of Reference for this Committee which set out the Committee's powers and reporting responsibilities.

The Committee consists of three Non-Executive Directors of which two are Independent Non-Executive Directors. All other Directors are invited to attend meetings of the Committee but have no vote. Members of the Committee are entrepreneurs who have built their own businesses and professionals with extensive experience in corporate finance and other activities related to the creation and acceleration of shareholder value.

The primary objective of the Shareholder Value Committee is to engage in a rigorous strategic planning and oversight process in respect of the Group's strategic direction and strategic initiatives for the creation and acceleration of shareholder value and submit recommendations to the Board in respect of the same. Specific areas dealt with by the Shareholder Value Committee include but are not limited to:

### Strategic Direction

The Shareholder Value Committee works with the Group's senior management team to:

- Formulate, review and evaluate the Group's strategic direction;
- Review implementation of the Group's strategic direction; and
- Maintain an ongoing and interactive strategic planning process with the Group's management team, including identifying, setting, and maintaining strategic goals and expectations.

# CORPORATE GOVERNANCE REPORT (CONTINUED)

### Strategic Alternatives

The Shareholder Value Committee, working with the Group's management team, is mandated to consider all available or prospective strategic alternatives for the Group, including potential acquisitions, joint ventures, strategic alliances, strategic partnerships, strategic collaborations, mergers, disposals, abandonment of businesses and other corporate finance transactions, as applicable or as they may arise.

### Capital Efficiency

The Shareholder Value Committee monitors, reviews and evaluates the Group's return on equity (ROE) (use of shareholder equity), return on invested capital (ROIC) (use of all available capital) and advises the Board accordingly.

### Corporate Structuring

At its discretion from time to time, the Shareholder Value Committee reviews and evaluates the Group's corporate structure and makes recommendations to the Board regarding options that may arise to improve the efficiency of the Group's corporate structure.

### Capital and Debt Markets

At its discretion from time to time, the Shareholder Value Committee reviews and evaluates optimal ways for the Group to access capital markets and debt markets to improve the Group's performance for the benefit of Shareholders and makes recommendations to the Board in respect of the same.

### Investor Relations

The Shareholder Value Committee, working with the Group's management team, monitors, reviews, and evaluates the Company's Shareholder and investor engagement strategy and activities and makes recommendations to the Board in respect of the same, including consideration of announcements, road shows, broker visits and other market communication and engagement efforts, and otherwise monitors and considers the impact of any changes in the Group's investor and Shareholder profile.

The Shareholder Value Committee met four times during the period under review at which meetings it considered various acquisition opportunities, the strategic positioning and branding of the Company and introduction and continuance of the share repurchase programme implemented by the Company. The attendance of members at Committee meetings, taking into account their dates of appointment and / or resignation, was as follows:

| Name | # of meetings | # of meetings attended |
|---|---|---|
| Bate, David John (Chairman) | 4 | 4 |
| Erasmus, Marthinus Gerhardus* | 3 | 3 |
| Pretorius, Mario Brönn | 4 | 4 |
| Steinberg, Willem Frederik** | 1 | 1 |

* passed away on 4 June 2021
** appointed as a member of the committee on 26 June 2021

# CORPORATE GOVERNANCE REPORT (CONTINUED)

## 5. Risk Management

In line with the King Report IV, the Board is responsible for overall risk management within the Group. In this regard, the Board is assisted by the Audit and Risk Committee who reports to the Board. The Group, through the CEO, conducts strategic and operational risk management assessments throughout the year and the top risks and mitigation strategies are reviewed by the Audit and Risk Committee. The following key risks, which are listed in no particular order, have been identified:

### Key Risk 1

#### Competitor Activity and Revenue Protection / Retention

**Risk description**

Due to increased competition and low entry barriers for new entrants, pricing is becoming commoditised. Protecting and growing the Group's top-line revenue is a key success factor for building sustainable earnings growth.

**Risk response**

The Group is committed to delivering a mix of organic growth and strategic acquisitions that fit into its overall strategy to grow the business and create and accelerate shareholder value. In this regard, the Group has implemented a service diversification strategy through its acquisition of a data centre business and undertaken a deliberate campaign to increase product offerings and cross-selling opportunities that deliver maximum solution value to customers and recurring revenue streams to the Group. The Group has also implemented a strategic marketing strategy including a weekly podcast series aimed at small businesses which is broadcast on a well-known on-line radio station and has an effective customer retention strategy, using its CRM platform to continuously engage with customers and sustain and grow relationships. This system not only enables the Group to access customer needs on an ongoing basis which increases cross-selling opportunities but also generates granular business intelligence information which allows the Group to reliably predict revenue expectations.

### Key Risk 2

#### Regulatory Environment

**Risk description**

A failure to achieve full compliance with regulatory requirements could expose the Group to potential regulatory and reputational breaches. Key regulatory bodies active in the Group's business environment include but are not limited to the Independent Communications Authority of South Africa, the Information Regulator and the JSE Limited.

**Risk response**

The Group and its subsidiaries submit reports to relevant regulators as required to comply with relevant legislation, regulations and prescriptions. The Group regularly reviews its commercial parameters and documentation with experts to ensure compliance with all of its regulatory, statutory and legal obligations.

# CORPORATE GOVERNANCE REPORT (CONTINUED)

| Key Risk 3<br>**Information Security Risks and Digital Disruption** | |
|---|---|
| **Risk description**<br>Cyber attacks and hacking activities present increased and ongoing information security risks which could result in operational disruption and an inability to provide services, the exposure of clients' information, reputational damage and regulatory fines. | **Risk response**<br>The Group makes extensive use of IT systems and digital technology in all areas of operations. Through services delivered by Group companies, such as cybersecurity attacks, digital back–up solutions and disaster recovery, the Group has reduced its risk profile and exposure to such threats. |

| Key Risk 4<br>**Political, Social and Economic Risks** | |
|---|---|
| **Risk description**<br>Political uncertainty causes policy uncertainty which delays the availability of new technologies (such as the release of radio frequency spectrum). Social and political risks relating to the Group's black economic empowerment rating and economic risks arising from the exposure of the Group's value chain to international market conditions, Covid-19 and future pandemics as well as other potential Black Swan events resulting in government lockdowns and economic shutdowns may impact the Group's operations and revenue generation capabilities. | **Risk response**<br>The Group continuously focuses on areas within its control to ensure the optimal outcomes for customers. In line with this orientation, the Group has an active response plan with the ability to implement remote work regimes as required and, through its ongoing efforts to maintain good relationships with suppliers, is able to renegotiate supplier agreements to enable it to provide payment relief plans for customers during 'hard lockdown' periods. The Group's BEE status has been identified as a material risk and is being discussed by the Board. Other potential risks to the Group's operating activities are mitigated by regular system tests and drills that are conducted to ensure the efficiency of systems and regular scenario planning is done by management to ensure that the Group maintains updated disaster recovery plans. |

| Key Risk 5<br>**Failure of Utilities** | |
|---|---|
| **Risk description**<br>The Group's business is dependent on the availability of core network assets. The inability of such assets to operate to a certain level jeopardises the Group's ability to earn revenue and retain customers. | **Risk response**<br>The Group follows a risk mitigation strategy that assures maximum operational uptime. The Group's network architecture methodology consists of geo-redundant points of presence, independent multi-vendor failover capabilities and highly available equipment infrastructure. Quarterly workshop reviews focus on solution relevance. |

| Key Risk 6<br>**Dependency on Suppliers** | |
|---|---|
| **Risk description**<br>Dependency on the services provided by certain suppliers exposes the Group to various risks including susceptibility to supplier demands, product and service cost increases and the competitiveness and quality of the service offering. | **Risk Response**<br>The Group has strong and sustainable relationships with key suppliers which enable it to stay abreast of the latest technology advances and newest product releases. These relationships are enhanced by weekly communication with key suppliers regarding delivery commitments and the conclusion of Master Service Agreements with all suppliers. |

# CORPORATE GOVERNANCE REPORT (CONTINUED)

## 6. Interests of Directors and Officers

The register of interests of Directors in contracts in terms of Section 75 of the Companies Act is available to members of the public on request. The interests of Directors and officers in the Group's securities as at 30 June 2021 is set out in the Directors' Report.

## 7. Company Secretary

The appointment and removal of the Company Secretary is a matter for the Board as a whole. The roles and responsibilities of the Company Secretary include:

- Assisting in setting the procedure for the appointment of Directors;
- Assisting in the proper induction, orientation, ongoing training and education of Directors;
- Assessing individual training needs of Directors and executive management in their fiduciary and governance responsibilities;
- Providing guidance on duties and responsibilities of the Board and the individual Directors;
- Providing guidance and advice to the Board on governance and legislation;
- Formulating the Board and Committee charters;
- Compiling and circulating Board packs;
- Assisting the Chairman, the Board and Board-Committees with work plans;
- Obtaining responses and feedback on agenda items and matters arising there from;
- Ensuring proper recording of Board and Board Committee meetings and circulating the minutes timeously; and
- Assisting the Chairman with the annual evaluation of the Board, the Directors and senior management.

All Directors have access to the advice and services of the Company Secretary. The Group's Company Secretary also performs the company secretarial duties for Group subsidiaries.

The Board is satisfied that Sascha Ramirez-Victor, a qualified Company secretary and an admitted attorney of the High Court of South Africa, has the required skills and competencies to guide the Board on corporate governance and its legal duties. The Board is further satisfied that Ms Ramirez-Victor is independent of and has an arms-length relationship with the Directors.

## 8. Accounting and Auditing

The Board is committed to complying with International Financial Reporting Standards (IFRS), the Companies Act and the JSE Listings Requirements.

The External Auditors observe the highest level of business and professional ethics and their independence is not impaired in any way. The External Auditors are given unrestricted access to all financial records and related data including minutes of all meetings of Shareholders and of the Board and its Committees. The Directors believe that all representations made to the External Auditors during their audit are valid and appropriate.

The External Auditors provide an independent assessment of systems of internal financial control to the extent necessary for the audit and express an independent opinion on whether the financial statements are fairly presented.

The External Auditors do not perform any non-audit services other than providing limited tax assistance.

## 9. Internal Audit

The Group has not established an internal audit function to evaluate the Group's risk management, internal controls, governance processes and ethics as the Board is of the opinion that the Group is ethically and efficiently managed and that the costs of a separate internal audit function outweigh the benefits derived there from. Furthermore, the size of the business and the established internal control system do not warrant a full-time internal audit function. The Board will, in consultation with the Audit and Risk Committee, outsource certain work to external consultants as and when the need arises. The Board is satisfied that there is an ongoing process for identifying, evaluating and managing any significant risks.

In the absence of an internal audit function, the responsibility of monitoring risks and establishing a formal Risk Management Policy and plan has been delegated to the Audit and Risk Committee. This Committee must ensure that effective controls are in place to mitigate identified risks and ensure an effective internal control framework.

## 10. Stakeholder Relationships

The Board has adopted a policy of effective communication and engagement with all stakeholders. The Group seeks to provide a secure, healthy and participative social and working environment for its staff, partners, suppliers and associates.

The Board encourages its stakeholders to attend the Group's general meetings where they will be provided with the opportunity to ask questions of the Board, the Audit and Risk Committee and the External Auditors.

# CORPORATE GOVERNANCE REPORT (CONTINUED)

## 11. Closed and Prohibited Periods

The Company enforces a restricted period for dealing in shares in terms of which the Board disallows all Directors, executives and senior staff any dealings in shares from the time that the reporting period has elapsed to the time that the results are released and at any time that the Company is trading under a cautionary announcement or is considered to be in a prohibited period. A procedure for Directors to deal in shares is in place and all affected persons have access to the Company Secretary and the designated advisor should they have any doubt as to whether or not they may trade.

## 12. Code of Conduct

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

In implementing the Group's Code of Conduct, the Board is guided by the following broad principles:

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

## 13. Governance of Information Technology

The Board has not adopted a formal charter and policies setting out the decision-making rights and accountability in relation to IT. The effective and efficient management of the IT resources is currently controlled by the CEO and any expenditure is aligned with the performance and sustainability objectives set by the Board.

The Audit and Risk Committee has, in the absence of an IT steering committee, included IT risks and the measures to mitigate these risks as part of its risk management process and matrix. Measures have been implemented to address issues such as disaster recovery plans, privacy and security concerns.

# CORPORATE GOVERNANCE REPORT (CONTINUED)

## 14. Sustainability Reporting

Our current business methodologies and business offerings (ICT solutions) remain at the leading edge of technological developments. These services ensure our long-term sustainability whilst embracing technologies which have almost no environmental impact.

The Board believes that the Group has adhered to its ethical standards during the year under review.

The overall well-being of the Group's employees is regarded as very important and the Group encourages its employees to raise any issue with the Executive Directors. The Group adopted a Health and Wellness Policy during this year.

The Group's office systems are aimed at reducing resource consumption overtime and the Directors are continuously exploring ways in which to reduce paper, energy, and water usage. The use of natural light and heating is optimised in the Group's current offices and recycling of waste is encouraged and implemented.

The Social Committee, consisting of staff members of the Group, continues to hold social drives to raise money for charitable events and programmes.

We are continually reviewing our sustainability in terms of industry best practices.

## 15. Transfer Office

JSE Investor Services (Pty) Ltd acts as the Company's transfer secretary.

## 16. Designated Advisor

AcaciaCap Advisors (Pty) Ltd acts as the Company's designated advisor in compliance with the JSE Listings Requirements.

## 17. Diversity Policy

The Board has adopted a Diversity Policy which guides the Board in filling vacancies as and when they occur. Appointments to the Board are based on levels of skill, acumen, qualifications, experience and actual or potential contributions to the Group, having due regard to employment equity, race, age, culture, gender diversity and fields of knowledge. The Board expects to fill the vacancy created by the unfortunate death of Mr Marthinus Erasmus on 4 June 2021 in the next reporting period. During this period, the Board appointed Mr JL Roos to replace Mr JM Vosloo as Chief Financial Officer. Mr JL Roos was appointed based on his extensive experience in the audit and accounting industry. The Board acknowledges that its current composition is not optimal in the context of the Diversity Policy and will seek to address this going forward.

# CORPORATE GOVERNANCE REPORT (CONTINUED)

## 18. Application of the King IV Report on Corporate Governance for South Africa

TeleMasters Holdings Limited is a company listed on the Alternative Exchange of the Johannesburg Stock Exchange operated by the Johannesburg Stock Exchange Limited (JSE). The Company complies with the principles of King IV and the mandatory corporate governance requirements of the JSE Listing Requirements Paragraph 3.84 which stipulate that issuers must comply with certain specific requirements concerning corporate governance.

For the period ended 30 June 2021, TeleMasters Holdings applied all the principles of King IV as disclosed below:

## Leadership, Ethics and Corporate Citizenship

### Principle 1

### Leadership

**Principle description**

The Board should lead ethically and effectively.

**Principle response**

The Board exercises effective leadership, with each Director adhering to the duties of a director. The Directors have the necessary competence and act ethically in discharging their responsibility to provide strategic direction and exercise control over the Company as provided for in the Board Charter and MOI.

The Board Charter outlines the Board's roles and responsibilities and the Board has adopted additional policies setting out the protocols applied on matters such as dealing with price sensitive information, Directors' dealings in the securities of the Company and declarations of conflicts of interest. Directors adhere to the Company's declarations of interest policy which is based on the requirements of the Companies Act 71 of 2008. The Board considers and takes note of the declarations of interests tabled and identifies and acts on untenable conflicts. Directors, executives and senior employees are prohibited from dealing in the Company's securities during certain prescribed periods. The Company Secretary regularly informs Directors, executives and senior employees of the insider trading legislation and advises them of closed periods. A report on Directors' dealings in the Company's shares is tabled at each Board meeting and is disclosed in terms of the applicable JSE Listings Requirements.

The Board is committed to driving the Group strategy and operations of the Group based on an ethical foundation. In seeking to ensure the sustainability of the Group's business, it ensures that Directors act in the best interest of the Group and oversees the strategic direction and monitors implementation and execution of the strategy by management to ensure accountability for the Group's performance. In adopting a risk-based approach to the Group's business, the Board considers the short and long term impact of the Group's operations on its stakeholders.

The Board exercises control through the governance framework of the Group which includes detailed reporting to the Board and its Committees, Board reserved decision-making authority and effective internal controls.

### Principle 2

### Organisational Ethics

**Principle description**

The Board should govern the ethics of the Group in a way that supports the establishment of an ethical culture.

**Principle response**

The Board determines and sets the tone of the Group's values and culture, including principles of ethical business practice, human rights considerations and the requirements of being a responsible corporate citizen. Through the Social and Ethics Committee, the Board approves the Group's Code of Conduct (Code) which is built around the principles of responsibility, honesty, fairness and respect.

Management has been delegated the responsibility for implementation and execution of the Code. The Board, with the assistance of the Social and Ethics Committee, exercises ongoing oversight of the management of ethics, monitors the Group's activities regarding ethics and ensures that ethics are integrated into Group operations.

The Code guides interaction with all stakeholders of the Group, including employees, and addresses the key ethical risks of the Group.

# APPLICATION OF THE KING IV REPORT ON CORPORATE GOVERNANCE FOR SOUTH AFRICA (CONTINUED)

Principle 3

### Responsible Corporate Citizenship

**Principle description**

The Board should ensure that the Group is and is seen to be a responsible corporate citizen.

**Principle response**

In accordance with its role of overseeing the Group's conduct as a good corporate citizen, the Board approves the strategy and priorities of the business, including material matters and, more specifically, those related to sustainability. Through stakeholder engagement, the Group is committed to understanding and being responsive to the interests and expectations of stakeholders.

It is a TeleMasters Holdings' imperative to be a values-driven organisation and fulfil its legal and moral obligations as a good corporate citizen. The Board, with the support of its Committees and Group executives, oversees and monitors how the operations and activities of the Group affect its status as a responsible corporate citizen.

## Strategy, Performance and Reporting

Principle 4

### Strategy and Performance

**Principle description**

The Board should appreciate that the Group's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

**Principle response**

The Board informs and approves the Group's strategy which is aligned with the purpose of the Company, the value drivers of its business and the legitimate expectations of its stakeholders and is aimed at ensuring sustainability and takes into account the risks facing the Group. The Board oversees and monitors, with the support of its Committees, the implementation and execution by management of the strategy and ensures that the Group accounts for its performance by, among other means, reporting and disclosure.

# APPLICATION OF THE KING IV REPORT ON CORPORATE GOVERNANCE FOR SOUTH AFRICA (CONTINUED)

### Principle 5

### Reporting

**Principle description**

The Board should ensure that reports issued by the Group enable stakeholders to make informed assessments of the Group's performance, and its short, medium and long term prospects.

**Principle response**

The Board, through the Audit and Risk Committee, ensures that necessary controls are in place to verify and safeguard the integrity of annual reports and any other disclosures. The Group complies with all required disclosures. Reporting frameworks and materiality are approved by the Audit and Risk Committee to ensure compliance with legal requirements and relevance to stakeholders.

The Audit and Risk Committee oversees the Integrated Annual Report process and reviews the Consolidated Annual Financial Statements.

The Company ensures that the annual reports, including the Consolidated Annual Financial Statements, the Integrated Annual Report, sustainability reports and any other relevant information to stakeholders, are published on the Company's website and distributed to applicable stakeholders.

## Governing Structures and Delegation

### Principle 6

### Primary Role and Responsibilities of the Board

**Principle description**

The Board should serve as the focal point and custodian of corporate governance in the Group.

**Principle response**

The Board has an approved Charter which it reviews annually. The Charter sets out its governance responsibilities, including its role, responsibilities, membership requirements and procedural conduct. The Board implements and monitors the governance practices within the Group.

The Board, as well as any Director and Board Committee, may obtain independent, external professional advice at the Group's expense concerning matters within the scope of their duties and the Directors may request documentation from and set up meetings with management as and when required.

An appropriate governance framework and the necessary policies and processes are in place to ensure adherence to essential Group requirements and minimum governance standards. The number of Board and Board Committee meetings held during the year and Board members attendance thereat is disclosed in the Group's Integrated Annual Report. The Board is satisfied that, during the period under review, it has either fulfilled its responsibilities in accordance with its charter or explained the reasons for any deviance there from. As a direct Shareholder, the Company exercises its rights and is involved in the decision-making of its subsidiaries on all material matters. Subsidiaries have adopted the governance framework as appropriate and have aligned it to their memoranda of incorporation.

# APPLICATION OF THE KING IV REPORT ON CORPORATE GOVERNANCE FOR SOUTH AFRICA (CONTINUED)

## Principle 7

### Composition of the Board

**Principle description**

The Board should comprise the appropriate balance of knowledge, skills, experience, diversity, and independence for it to discharge its governance role and responsibilities objectively and effectively.

**Principle response**

The majority Shareholders of the Group believe in maintaining a small Board of Directors and, although the current Board does not reflect the diversity of South Africa's demography, the Board is satisfied that current Directors have an appropriate mix of business, commercial and industry knowledge as well as the skills and experience to discharge the Board's roles and responsibilities. There is a clear distinction drawn between the roles of the CEO and the Chairman and these positions are occupied by separate individuals. The Board is comprised of an appropriate balance of Executive, Non-Executive and Independent Non-Executive Directors and the capacity of each Director is disclosed in the Integrated Annual Report. The Chairman of the Board, being the founder of the Company, is a Non-Executive Director but the majority of Non-Executive Directors are independent. Mr Fred Steinberg has been appointed as the lead independent director and chairs Board discussions and decision-making processes when the Chairman has a conflict of interest. In terms of the MOI, one-third of Non-Executive Directors must retire at every Annual General Meeting and are eligible for re-election. When considering appointment or re-election of Directors, the Board considers the knowledge, skills and resources required for conducting the Group's business as well the Board's size, diversity and demographics to ensure its effectiveness. A brief CV for each Director is included in the Integrated Annual Report.

Newly appointed Directors are inducted in the Company's business, Board matters and their duties and governance responsibilities as Directors under the guidance of the Company Secretary in accordance with each Director's specific needs. Directors receive briefings on new legal developments and changes in the risk and general business environment on an ongoing basis.

At each Board meeting, any interest that any Director may have on any matters on the meeting agenda are disclosed prior to the commencement of the meeting and all Directors are aware of their duty to make full disclosure of any interests. If a Director has any interest in any matter being considered by the Board, the Director concerned is recused from the meeting and does not participate in decision-making on the matter in which they have an interest.

## Principle 8

### Committees of the Board

**Principle description**

The Board should ensure that its arrangements for delegation within its own structures promote independent judgment and assist with balance of power and the effective discharge of its duties.

**Principle response**

Board Committees have been established to assist the Board in discharging its responsibilities. The standing Board Committees comprise of the Audit and Risk Committee, the Remuneration Committee, the Social and Ethics Committee and the Shareholder Value Committee.

The Committees are appropriately constituted and members are appointed by the Board except for the Audit and Risk Committee whose members are nominated by the Board and elected by Shareholders.

Where necessary, external advisors, Executive Directors and members of management attend Board Committee meetings by invitation. Board Committees play an important role in enhancing high standards of governance and achieving increased effectiveness within the Group. Formal terms of reference are established and approved for each Board Committee which are reviewed regularly. Each Board Committee has its own charter.

The Board considers the allocation of roles and associated responsibilities and the composition of membership across Board Committees holistically to achieve the following: effective collaboration through cross-membership between Board Committees, where required; coordinated timing of meetings; and avoidance, duplication or fragmented functioning in so far as possible.

There is a balanced distribution of power in respect or membership across Board Committees so that no individual has the ability to dominate decision-making and no undue reliance is placed on any individual.

A delegation by the Board of its responsibilities to any Board Committee will not by or of itself constitute a discharge of the Board's accountability.

The Chairperson of each Board Committee reports back to the Board on matters discussed by the relevant Board Committee at the next Board meeting and the Board applies its collective mind to the information, opinions, recommendations, reports, and statements presented in such report.

Any member of the Board is entitled to attend any Board Committee meeting as an observer but is not entitled to a vote on any of such Board Committee's decisions unless they are a member of such committee.

# APPLICATION OF THE KING IV REPORT ON CORPORATE GOVERNANCE FOR SOUTH AFRICA (CONTINUED)

## Audit and Risk Committee

The Board has an Audit and Risk Committee comprising of Non-Executive Directors only and its independence and effectiveness is reviewed on an annual basis. The Audit and Risk Committee is constituted as a statutory Committee of TeleMasters Holdings Limited in respect of its statutory duties in terms of section 94(7) of the Companies Act and Board Committee in respect of all other duties assigned to it by the Board.

The Audit and Risk Committee performs the functions as set out in the Companies Act. Adequate processes and structures have been implemented to assist the Audit and Risk Committee in providing oversight and ensuring the integrity of financial reporting, internal control and other governance.

As at the date of this report, the Audit and Risk Committee consists of three independent Non-Executive Directors but the Board is currently undertaking a search process to appoint an additional Independent Non-Executive Director who will also serve as Chairperson of the Audit and Risk Committee. The Chairman of the Board is not a member of the Audit and Risk Committee. Members of the Audit and Risk Committee are elected by Shareholders. All Audit and Risk Committee members are financially literate.

The Audit and Risk Committee provides independent oversight of the effectiveness of the Group's assurance services with focus on combined assurance arrangements including external assurance service providers, the finance function and integrity of the Consolidated Annual Financial Statements. To the extent delegated by the Board, the Audit and Risk Committee considers other external reports issued by the Company. The Audit and Risk Committee also considers annually and satisfies itself of the appropriateness of the expertise and experience of the CFO and the finance function.

The performance of the Audit and Risk Committee and significant issues dealt with during the year are described in the Report of the Audit and Risk Committee included in the Consolidated Annual Financial Statements.

## Remuneration Committee

The Remuneration Committee is responsible for overseeing remuneration. All members of the Remuneration Committee are Non-Executive Directors.

The Chairman of the Board is not a member of the Remuneration Committee.

## Social and Ethics Committee

The Social and Ethics Committee is responsible to oversee and report on ethics, responsible corporate citizenship, sustainable development and stakeholder relationships. It is also responsible to execute on the statutory duties set out in the Companies Act.

The Chairman of the Board, as well as the CEO and the CFO, are members of the Social and Ethics Committee.

## Shareholder Value Committee

The Shareholder Value Committee is committed to developing, operating and growing a highly profitable business on a responsible and sustainable basis that maximises opportunities to create and accelerate value for Shareholders.

The Chairman of the Board is a member of the Shareholder Value Committee.

# APPLICATION OF THE KING IV REPORT ON CORPORATE GOVERNANCE FOR SOUTH AFRICA (CONTINUED)

## Principle 9

### Evaluations of the Performance of the Board Governing Body

**Principle description**

The Board should ensure that the evaluation of its own performance and that of its Committees, its Chair and its individual members support continued improvement in performance and effectiveness.

**Principle response**

The Board is responsible to evaluate the effectiveness and performance of the Board, its Committees and individual Directors every second year. The Board's Chairman, assisted by the Company Secretary, leads the evaluation process.

The Board determines the number of external directorships and other positions a Director may hold, taking into consideration the relative size and complexity of the other organisations. The Chairman annually considers the commitments of Directors and whether individual Directors have sufficient time to fulfil their responsibilities as a Director to ensure that they can still execute their job effectively and remain free from conflicts that cannot be managed satisfactorily. Should the Chairman be of the view that any Director is over-committed or has an unmanageable conflict, the Chairman will meet with that Director to discuss resolution of the matter.

The role of the Chairman is formalised and every second year which includes an assessment by the Board of the Chairman's ability to add value and his performance against what is expected of his role and function. Mr WF Steinberg, as the lead independent Director, is responsible for evaluating the performance of the Chairman.  The Board is responsible for succession planning for the position of the Chairman.

## Principle 10

### Appointment and Delegation to Management

**Principle description**

The Board should ensure that the appointment of and delegation to management contributes to role clarity and the effective exercise of authority and responsibilities.

**Principle response**

The Board approves and regularly reviews the framework and top-level delegation of authority in terms of which matters are delegated to the CEO. The CEO is the highest executive decision-making authority of the Group and delegated with authority from and accountable to the Board for the successful implementation of the Group's strategy and overall management and performance of the Group in a manner consistent with enhancing long term shareholder value. The CEO's contract stipulates that he is required to provide the Company with one months' notice should he decide to resign and provides for a restraint of trade for a period of 12 months within a limited area.

The CEO is not a member of the Remuneration or the Audit and Risk Committees but attends meetings of these Board Committees by invitation.

The CEO and the Board will agree on whether the CEO may take up additional professional positions including memberships on other governing bodies outside the Group. Time constraints and potential conflicts of interests will be considered and balanced against opportunities for professional development.

A formal CEO succession plan has not been adopted but is a matter that will be considered by the Remuneration Committee during the next financial year.

Ms Sascha Ramirez-Victor was appointed as the Company Secretary in 2018 and ensures that the Board is independently and professionally guided on matters of corporate governance and its legal duties and is adequately supported in the coordination and functioning of both it and its Committees.

# APPLICATION OF THE KING IV REPORT ON CORPORATE GOVERNANCE FOR SOUTH AFRICA (CONTINUED)

## Governance Functional Areas

### Principle 11

### Risk Governance

**Principle description**

The Board should govern risk in a way that supports the Group in setting and achieving its strategic objectives.

**Principle response**

The Board has responsibility for the governance of risk and approves the risk policy that gives effect to its risk appetite. The Board is assisted primarily in this regard by the Audit and Risk Committee which coordinates the risk register and the management of the risk profile and policy. The Group's risk policy reaffirms that the Group is committed to effective risk management in pursuit of its strategic objectives to grow value sustainably for all stakeholders by embedding risk management into key decision-making processes.

The Board approves the Group's risk profile and financial risk appetite and tolerance levels to ensure that risks are managed within these levels. The Board also considers the risk environment from time to time as deemed appropriate and based on materiality and changes in the external and internal environments.

To support the Board in ensuring effective risk management oversight, the Audit and Risk Committee is responsible for ensuring the effective monitoring of relevant Group risks. In monitoring and providing oversight on the Group's risk, the Audit and Risk Committee considers potential risks and / or opportunities as appropriate.

### Principle 12

### Technology and Information Governance

**Principle description**

The Board, supported by the Audit and Risk Committee, is responsible for IT governance as well as the strategic alignment of IT with the performance and sustainability objectives of the Group.

**Principle response**

IT governance is based on best practice principles which provide for the alignment of the IT strategy with that of the Group. The Group has the following policies and processes in place:

- IT Network Processes;
- IT Network Cable Check WI;
- Maintaining Hardware WI;
- Antivirus Work Instruction;
- Software Licence Process;
- Network Fault Finding Process;
- Server Check WI;
- Disaster Recovery Policy; and
- Backup Work Instruction.

Decision-making structures are defined and a reporting framework is in place.

# APPLICATION OF THE KING IV REPORT ON CORPORATE GOVERNANCE FOR SOUTH AFRICA (CONTINUED)

## Principle 13

### Compliance Governance

**Principle description**

The Board should govern compliance with applicable laws and adopt non-binding rules, codes and standards in a way that supports the Group being ethical and a good corporate citizen.

**Principle response**

The Group requires all Directors and employees to comply with all applicable laws. Legal compliance systems and processes are in place and are continuously improved to mitigate the risk of non-compliance with the laws and also to ensure appropriate responses to changes and developments in the regulatory environment.

To the extent that legal and regulatory matters have an impact on the financial statements, reports are presented to the Audit and Risk Committee.

## Principle 14

### Remuneration Governance

**Principle description**

The Board should ensure that the Group remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.

**Principle response**

The Group has a rewards strategy and policy which translates into competitive and appropriate reward outcomes.

The Remuneration Committee is tasked by the Board to independently approve and oversee the implementation of a Remuneration Policy that will encourage the achievement of the Group strategy and grow stakeholder value sustainably.

The Remuneration Policy aims to enable the attraction and retention of skilled resources and ensure that rewards are aligned with Shareholder interests.

The Company issues an implementation report on remuneration of each Director by publishing the prescribed information individually in its Consolidated Annual Financial Statements.

In line with the recommended practices in King IV, both the Remuneration Policy and the implementation report are tabled for separate non-binding advisory votes by the Shareholders at the Annual General Meeting. In the event of 25% or more of Shareholders vote against either resolution at the Annual General Meeting, the Board will invite dissenting Shareholders to engage with the Remuneration Committee on their issues and will report back on the outcomes thereof and on any corrective measures taken.

## Principle 15

### Assurance

**Principle description**

The Board should ensure that assurance services and functions enable an effective control environment and that these support the integrity of information for internal decision-making and of the Company's external reports.

**Principle response**

In light of the size and nature of business of the Group, the Board is of the opinion that the appointment of a separate internal audit function is unwarranted. The Audit and Risk Committee is responsible for the quality and integrity of TeleMasters Holdings Limited's Integrated Annual Report. The Board, with the support of the Audit and Risk Committee, satisfies itself that the combined assurance model is effective and sufficiently robust for the Board to be able to place reliance on the combined assurance underlying the statements that the Board makes concerning the integrity of the Company's external reports.

The Board is satisfied that the Group maintains a system of internal financial control that is designed to provide assurances on the maintenance of proper accounting records and the reliability of financial information used within the business and for publication. The system contains self-monitoring mechanisms and actions are taken to correct deficiencies as they are identified.

# APPLICATION OF THE KING IV REPORT ON CORPORATE GOVERNANCE FOR SOUTH AFRICA (CONTINUED)

## Stakeholder Relationships

### Principle 16

### Stakeholders

**Principle description**

In the execution of its governance role and responsibilities, the Board should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the Group over time.

**Principle response**

The Group aims to ensure a systematic and integrated approach to stakeholder engagement across the Group facilitated through engagement to enable increased assurance to the Board that all stakeholder issues have been identified, prioritised and appropriately addressed.

The Board, through the Shareholder Value Committee, considers issues around stakeholder perceptions. The Committee has oversight of stakeholder engagement and management. Reporting by management to the Shareholder Value Committee and the Chairman of that Committee to the Board, the Board is equipped with the necessary information to enable it to take the legitimate interests and expectations of stakeholders into account in its decision-making.

It is a business imperative for the TeleMasters Group that it understands and is responsive to the needs and interests of our key stakeholder groups which include: employees; government and regulators; Shareholders; the communities around our operations; suppliers; customers; and business partners. Individual stakeholders within these groups are highly diverse with sometimes competing interests. The Company is therefore constantly seeking to improve the way in which it engages with its stakeholders to effectively respond to this complexity and diversity.

Interaction with stakeholders happens throughout the ordinary course of business at multiple levels across the Group and the Company strives to resolve disputes with its stakeholders effectively and expeditiously.

The Company publishes its most recent financial performance, historical information, including its annual reports, as well as all SENS and other regulatory announcements, on its website.

The Company invites and encourages all Shareholders to attend the upcoming Annual General Meeting which will take place on 10 December 2021.

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# GENERAL INFORMATION

| | |
|---|---|
| **Country of incorporation and domicile** | South Africa |
| **Nature of business and principal activities** | Telemasters delivers full telecommunications, internet connectivity and cloud solutions across South Africa. |
| **Directors** | DJ Bate<br>MB Pretorius JL Roos<br>WF Steinberg M Tappan JM Voigt |
| **Registered office and business address** | Building 2 ATT House Maxwell Office Park Magwa Crescent Waterfall City<br>2090 |
| **Postal address** | PO Box 68255<br>Highveld Park Irene<br>0169 |
| **Bankers** | First National Bank Ltd<br>Nedbank Ltd<br>Standard Bank Ltd |
| **Auditors** | Nexia SAB&T<br>Chartered Accountants (SA) Registered Auditors |
| **Secretary** | S Ramirez-Victor |
| **Company registration number** | 2006/015734/06 |
| **Tax reference number** | 9683978143 |
| **Level of assurance** | These Consolidated Annual Financial Statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa. |
| **Preparer** | The Consolidated Annual Financial Statements were independently compiled by:<br>T Kritsiotis<br>Chartered Accountant (SA) |

# AUDIT AND RISK COMMITTEE REPORT

## Introduction

The Audit and 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 and 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 and 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. No 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 2021 financial year are set out below:

| Name | Number of meetings | Number of meetings attended |
|---|---|---|
| Erasmus, Marthinus Gerhardus (Chairman)* | 5 | 5 |
| Bate, David John (Acting Chairman)** | 6 | 6 |
| Steinberg, Willem Frederik | 6 | 6 |
| Tappan, Mariette | 6 | 6 |

* Passed away on 4 June 2021
** Appointed as Acting Chairman of the Committee effective 26 June 2021

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

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 not eligible to vote. The majority of members of the Committee are financially literate.

Six Audit and 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;

# AUDIT AND RISK COMMITTEE REPORT (Continued)

- 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 2021; and
- Assessing the adequacy of the Group's finance function.

## External audit

The Audit and 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 Aneel Darmalingam, 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 Darmalingam 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 Aneel Darmalingam as the independent designated auditor for the Company for the financial year ended 30 June 2021 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;
- 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 will be the last year that Nexia SAB&T will be able to accept appointment as the Company's auditors pending implementation of the rule on mandatory audit firm rotation, and have noted the requirement for the rotation of the designated audit partner who has completed his fifth year as audit partner; and
- Has resolved to recommend to Shareholders that Nexia SAB&T be re-appointed as auditors of the Company for the 2022 financial year . 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 2022 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 Audit and Risk Committee has nominated, for approval at the AGM, the reappointment of Nexia SAB&T as registered auditors for the 2022 financial year.

# AUDIT AND RISK COMMITTEE REPORT (Continued)

## 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 2021 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 in 2020.

The Committee furthermore considered the following key and significant audit matters identified in respect of the financial year ended 30 June 2021:

- 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;
- Business combinations and consolidations following the acquisitions of Contineo Virtual Communications (Pty) Ltd, PerfectWorx Consulting (Pty) Ltd and ConexLink (Pty) Ltd (subsequently renamed Ultra DataCentre (Pty) Ltd);
- Allowance for expected credit losses in accordance with IFRS 9;
- Risk of management overriding controls; and
- Material related party transactions.

## 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 optimised 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.

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 the 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

Mr Jackie Michael Vosloo resigned as the Chief Financial Officer (CFO) and as an Executive Director of TeleMasters with effect from 31 October 2020. Mr Wikus Roos was appointed as the new CFO with effect from 1 November 2020.

The Audit and Risk Committee evaluated the appropriateness of the expertise and experience of Mr Roos 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 also satisfied as to 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;

# AUDIT AND RISK COMMITTEE REPORT (Continued)

- 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 JSE's 2020 proactive monitoring report and findings and has ensured compliance therewith, where applicable;
- 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 and 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 and Risk Committee:

**Dr David John Bate**
Chairman Audit and Risk Committee

**22 October 2021**

# DIRECTORS' RESPONSIBILITIES AND APPROVAL

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 minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the 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 for the year to 30 June 2022 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. The Independent Auditors report is presented on pages 50 to 52.

The Consolidated Annual Financial Statements set out on pages 46 to 95, have been prepared on the going concern basis, and approved by the Board of Directors on 22 October 2021 and were signed on their behalf by:

**Approval of financial statements**

**JM Voigt**

**JL Roos**

# CEO AND CFO RESPONSIBILITY STATEMENT ON INTERNAL FINANCIAL CONTROLS

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 53 to 95, fairly present in all material respects the financial position, financial performance and cash flows of the Group in terms of IFRS;

b) 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; and

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 within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the Audit and Risk Committee and the External Auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves Directors and have taken the necessary remedial action.

**JM Voigt**
Chief Executive officer

22 October 2021

**JL Roos**
Chief Financial Officer

22 October 2021

# GROUP SECRETARY'S CERTIFICATION

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.

**S Ramirez-Victor**
Company Secretary

22 October 2021

# DIRECTORS' REPORT

The Directors have pleasure in submitting their report on the Consolidated Annual Financial Statements of TeleMasters Holdings Limited for the year ended 30 June 2021.

1. **Review of financial results and activities**

Telemasters Holdings Limited is a technology focused holding company.

Entities within the Group are complementary towards each other with a key focus on enhancing digital transformation, accelerating smart working environments and empowering the 'gig' economy. Our vision is to create and accelerate shareholder value through responsible growth, acquisitions and investments. TeleMasters is licensed to provide voice, data and cloud-based communication, infrastructure and services.

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 2021 is set out in note 14 of these Consolidated Annual Financial Statements.

As at 30 June 2021, there were 50 500 000 issued ordinary shares and 449 500 000 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 8 500 000 shares in settlement of the initial purchase consideration payable for the acquisitions of Contineo and PerfectWorx: and
- A wholly owned subsidiary of the Company purchased 420 562 shares in the Company for an average purchase price of 127.94 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 Group's dividend policy is to consider quarterly and a final dividend in respect of each financial year. At its discretion, the Board of Directors may consider a special dividend, where appropriate. Depending on the perceived need to retain funds for expansion or operating purposes, the Board of Directors may pass on the payment of dividends.

Dividends totalling 6,4 cents per share were declared for the year, as follows:

- Dividend number 49 of 1.60 cents per share was declared on 30 September 2020 and paid to all shareholders recorded in the share register of the Company at the close of business on 23 October 2020;
- Dividend number 50 of 1.60 cents per share was declared on 7 December 2020 and paid to all shareholders recorded in the share register of the Company at the close of business on 31 December 2020;
- Dividend number 51 of 1.60 cents per share was declared on 31 March 2021 and paid to all shareholders recorded in the share register of the Company at the close of business on 23 April 2021;
- Dividend number 52 of 1.60 cents per share was declared on 25 June 2021 and paid to all shareholders recorded in the share register of the Company at the close of business on 6 August 2021.

Subject to its statutory second fiduciary duties and sound business judgement, the Board remains committed to the policy of quarterly dividends.

During the comparative year ended 30 June 2020, the Group declared four dividends totalling 7,6 cents per share.

# DIRECTORS' REPORT (Continued)

## 4. Directorate

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

| Directors | Nationality | Changes |
|---|---|---|
| DJ Bate | Canadian | |
| MB Pretorius | South African | |
| JL Roos | South African | Appointed 01 November 2020 |
| WF Steinberg | South African | |
| M Tappan | South African | |
| JM Voigt | South African | |
| MG Erasmus | South African | Passed away 04 June 2021 |
| JM Vosloo | South African | Resigned 31 October 2020 |

## 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.

**Interest in shares**

| Directors | 2021 Direct | 2020 Direct | 2021 Indirect | 2020 Indirect |
|---|---|---|---|---|
| MG Erasmus | - | - | - | 50 000 |
| MB Pretorius | - | - | 35 700 000 | 35 700 000 |
| M Tappan | 50 000 | 50 000 | - | - |
| JM Voigt | 4 849 591 | 68 429 | - | - |
| JM Vosloo | - | 45 300 | - | - |
| | **4 899 591** | 163 729 | **35 700 000** | 35 750 000 |

**Transactions during the period**

| Directors | 2021 Direct | 2020 Direct |
|---|---|---|
| JM Voigt | 106 162 | 27 839 |
| JM Vosloo | - | 45 000 |
| | **106 162** | 72 839 |

During the year under review, Mr JM Voigt purchased an additional 106 162 shares in the company.

Mr JM Voigt received an additional 4 675 000 shares in the Company in settlement of the initial purchase consideration payable for the acquisition of Contineo Virtual Communications (Pty) Ltd ("Contineo") and Perfectworx Consulting (Pty) Ltd as announced on SENS on 29 June 2020.

Subsequent to year end and prior to the date of approval of the Consolidated Annual Financial Statements:

- In accordance with the Earn-out Calculations pertaining to acquisition of Contineo, and as confirmed by the Company's auditor, Nexia SAB&T, an additional 2 629 835 shares were issued to Mr JM Voigt at an issue price of R1.2275 cents per share.
- 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 annual financial statements.

## 6. Investments in associates

Details of interests in associates are presented in the Consolidated Annual Financial Statements in note 7. There was no share of equity accounted profits or losses to be recognised in the current year.

There were no material acquisitions of associates during the current year.

# DIRECTORS' REPORT (Continued)

**7. Subsidiary companies**

Effective 1 July 2020 the Group acquired the entire shareholding of Contineo and PerfectWorx for a maximum consideration of R 16 500 000. 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. The balance of the consideration, if due, will be settled based on the performance of the companies in their 2021 and 2022 financial years. The amount will be settled by the issue of TeleMasters shares at the 30-day VWAP price per share less a 10% discount to a maximum of R 8 000 000 or 8 000 000 shares.

At the end of the 2020 financial year the Group held 25% of the share capital of ConexLink. Effective 1 January 2021 the Group acquired a further 1% for consideration of R 53 000 and effective 1 April 2021 the Group acquired the remaining 74% of ConexLink's share capital for consideration of R 3 922 000. The company has since been renamed Ultra DataCentre.

The total comprehensive loss or income of subsidiaries for the year was as follows:

- Catalytic Connections (Pty) Ltd - loss of R 3 326 795 (2020: loss of R 1 139 977)
- Spice Telecom (Pty) Ltd - income of R 346 331 (2020: income of R 1 343 331)
- Contineo Virtual Communications (Pty) Ltd - loss of R 90 190
- PerfectWorx Consulting (Pty) Ltd - income of R 1 154 657
- Ultra DataCentre (Pty) Ltd - income of R 713 520

**8. 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.

**9. Special resolutions**

At the Company's Annual General Meeting held on 7 December 2020, the following special resolutions were passed

- Non-Executive Directors' remuneration for the year commencing from 1 July 2020 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.

**10. 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 2021:

- As per the announcements published on SENS on 29 June 2020 and 13 July 2020, TeleMasters acquired the shares in and claims against Contineo Virtual Communications (Pty) Ltd from Messrs. Jaco Voigt ("Voigt") and Laurent Pieton ("Pieton") for a maximum purchase consideration of R 15 150 000 (fifteen million one hundred and fifty thousand Rand) with effect from 1 July 2020. Subsequent to year end and 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 aggregate of 5 259 670 new shares to Voigt (2 629 835 shares) and Pieton (2 629 835 shares) at an issue price of R 1.2275 per share in accordance with the earn-out calculation provided for in the Contineo Sale of Shares Agreement.
- Dividend number 53 of 1,60 cents per share was declared on 30 September 2021 and is payable to all Shareholders recorded in the share register of the Company at the close of business on 22 October 2021

**11. Going concern**

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 borrowing facilities 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.

**12. Covid-19**

The continued shift in working behaviour as a result of the Covid-19 pandemic has had a negative impact on Group revenues. The effects of the pandemic are not, however, expected to have an impact on the Group as a going concern into the foreseeable future.

**13. Litigation statement**

A once-off provision of R 3.1 million was created for the failure to collect revenues arising from a breach of contract by one customer in relation to one specific contract concluded with Catalytic Connections for which it has initiated legal proceedings in the High Court of South Africa, Gauteng Division, Pretoria, to collect said revenues which proceedings comprise of an application to liquidate the customer and concurrently realise a personal suretyship signed by the CEO of the customer. While the outcome and timing of the outcome of such legal proceedings remain uncertain, Catalytic Connections is confident of its position and ability to collect some or all of such revenues in due course.

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.

**14. Auditors**

Nexia SAB&T acted as the Group's Auditors for the period ended 30 June 2021 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 External Auditors was confirmed by the Audit and Risk Committee.

**15. Secretary**

The Company Secretary is Mrs S Ramirez-Victor.

| | |
|---|---|
| Postal address: | PO Box 68255<br>Highveld Park Irene<br>0169 |
| Business address: | Building 2 ATT House<br>Maxwell Office Park<br>Magwa Crescent<br>Waterfall City<br>2090 |

**16. Major and public shareholders**

Details of the major shareholders are provided in Note 15 of the Consolidated Annual Financial Statements.

**17. 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.

**18. 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 each Board Committee, as well as the attendance of the Directors and the Committee meetings, is fully disclosed in the Corporate Governance Report.

The Board was sad to announce the passing of Marthinus Erasmus on 4 June 2021. The Board acknowledged his dedicated service and invaluable contribution in creating best practices whilst serving as an Independent Non-Executive Director and Chairman of the Audit and Risk Committee.

# 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 53 to 95 which comprise the consolidated statement of financial position as at 30 June 2021, 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 2021, 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.

# INDEPENDENT AUDITOR'S REPORT (Continued)

| Key Audit Matter | How our audit addressed the key audit matter |
|---|---|
| **Revenue recognition** | |
| As disclosed in note 18, the consolidated financial statements include revenue of R 76.0 million (2020: R 79.7 million).<br>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.<br>The accuracy, completeness and validity of the revenue recorded is significantly reliant on the efficient and effective operation of the internally developed billing system.<br>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. | As part of our response to this key audit matter, our procedures included:<br>• Evaluated and tested the internal controls relating to revenue;<br>• Performed analytical audit procedures in respect of revenue;<br>• Verified that the revenue recognition and measurement policies adopted and implemented were in terms of IFRS;<br>• Verified that the revenue processed in the billing system accurately interfaced with the financial reporting system;<br>• Verified that the revenue recognised in the financial system was accurately recognised and measured in terms of the customer contractual agreements;<br>• Verified that where there were customer contracts in place, the customers were invoiced in accordance with the terms of these contracts;<br>• Selected transactions before and after the reporting period end, to confirm the transactions were recognised in the correct financial period; and<br>• Assessed the appropriateness of the application of revenue recognition and measurement principles in accordance with *IFRS 15: Revenue from contracts with customers.*<br>We found that the recognition and measurement of revenue was appropriate. |

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "TeleMasters Holdings Limited Integrated Annual Report 2021" which includes the Directors' Report, the Audit and Risk Committee Report, the Company Secretary's Certificate as required by the Companies Act of South Africa and the CEO and CFO Responsibility Statement on Internal Financial Controls as required by the JSE Listing Requirements. The other information does not include the consolidated 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 obtained 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.

## 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.

# INDEPENDENT AUDITOR'S REPORT (Continued)

## 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 10 years.

Nexia SAB&T

**Nexia SAB&T**
Per: A Darmalingam
Director
Registered Auditor

29 October 2021

119 Which-Hazel Avenue, Highveld Technopark, Centurion

# STATEMENT OF FINANCIAL POSITION

as at 30 June 2021

| Figures in Rand | Note(s) | 2021 | 2020 |
|---|---|---|---|
| **Assets** | | | |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 3 | 7 192 053 | 7 526 910 |
| Right-of-use assets | 4 | 16 916 565 | 9 775 832 |
| Goodwill | 5 | 22 952 676 | 3 286 779 |
| Intangible assets | 6 | 1 144 893 | 1 919 173 |
| Investment in associate | 7 | - | 25 |
| Loan to associate | 8 | - | 2 700 374 |
| Deferred tax | 9 | 2 798 244 | 351 079 |
| | | **51 004 431** | **25 560 172** |
| **Current Assets** | | | |
| Inventories | 10 | 676 660 | 285 053 |
| Trade and other receivables | 11 | 5 127 951 | 4 743 064 |
| Prepayments | 12 | 667 045 | 1 660 746 |
| Current tax receivable | | 174 101 | 36 885 |
| Cash and cash equivalents | 13 | 6 057 215 | 16 191 004 |
| | | **12 702 972** | **22 916 752** |
| **Total Assets** | | **63 707 403** | **48 476 924** |
| **Equity and Liabilities** | | | |
| **Equity** | | | |
| Share capital | 14 | 8 009 989 | 48 059 |
| Retained income | | 25 741 443 | 32 910 862 |
| | | **33 751 432** | **32 958 921** |
| **Liabilities** | | | |
| **Non-Current Liabilities** | | | |
| Lease liabilities | 4 | 12 523 492 | 8 256 118 |
| Deferred tax | 9 | 102 758 | - |
| Contingent consideration | 30 | 450 000 | - |
| | | **13 076 250** | **8 256 118** |
| **Current Liabilities** | | | |
| Trade and other payables | 16 | 4 084 779 | 4 644 244 |
| Lease liabilities | 4 | 4 549 187 | 1 765 188 |
| Deferred income | 17 | - | 89 036 |
| Current tax payable | | 36 803 | 5 320 |
| Dividend payable | | 896 452 | 758 097 |
| Contingent consideration | 30 | 7 312 500 | - |
| | | **16 879 721** | **7 261 885** |
| **Total Liabilities** | | **29 955 971** | **15 518 003** |
| **Total Equity and Liabilities** | | **63 707 403** | **48 476 924** |

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| Figures in Rand | Note(s) | 2021 | 2020 |
|---|---|---|---|
| Revenue | 18 | 76 012 774 | 79 666 284 |
| Cost of sales | | (38 520 786) | (48 137 728) |
| **Gross profit** | | **37 491 988** | **31 528 556** |
| Other operating income | | 18 245 | 103 291 |
| Other operating gains | 19 | - | 60 153 |
| Other operating expenses | | (42 051 400) | (29 498 404) |
| **Operating (loss) / profit** | 20 | **(4 541 167)** | **2 193 596** |
| Investment income | 21 | 531 593 | 1 242 479 |
| Finance costs | 22 | (1 617 435) | (395 915) |
| Loss on disposal of financial asset | 23 | - | (2 014 819) |
| **(Loss) / profit before taxation** | | **(5 627 009)** | **1 025 341** |
| Taxation | 24 | 1 689 590 | 64 214 |
| **Total comprehensive (loss) / income for the year** | | **(3 937 419)** | **1 089 555** |
| | | | |
| **Basic and diluted earnings per share** | | | |
| Basic (loss) / earnings per share (cents) | 25 | (7.82) | 2.59 |
| Diluted (loss) / earnings per share (cents) | 25 | (6.75) | 2.59 |

# STATEMENT OF CHANGES IN EQUITY

| Figures in Rand | Share capital | Share premium | Total share capital | Retained income | Total equity |
|---|---|---|---|---|---|
| **Balance at 01 July 2019** | **4 200** | **43 859** | **48 059** | **35 013 307** | **35 061 366** |
| Total comprehensive income for the year | - | - | - | 1 089 555 | 1 089 555 |
| Dividends | - | - | - | (3 192 000) | (3 192 000) |
| **Balance at 01 July 2020** | **4 200** | **43 859** | **48 059** | **32 910 862** | **32 958 921** |
| Total comprehensive loss for the year | - | - | - | (3 937 419) | (3 937 419) |
| Issue of shares | 850 | 8 499 150 | 8 500 000 | - | 8 500 000 |
| Treasury shares | - | (538 070) | (538 070) | - | (538 070) |
| Dividends | - | - | - | (3 232 000) | (3 232 000) |
| **Balance at 30 June 2021** | **5 050** | **8 004 939** | **8 009 989** | **25 741 443** | **33 751 432** |
| Note | 14 | 14 | 14 | | |

# STATEMENT OF CASH FLOWS

| Figures in Rand | Note(s) | 2021 | 2020 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 26 | 6 805 272 | 13 869 577 |
| Finance costs paid | | (1 279 935) | (395 915) |
| Tax paid | 27 | (264 883) | (86 163) |
| **Net cash from operating activities** | | **5 260 454** | **13 387 499** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 3 | (3 707 161) | (3 780 790) |
| Proceeds on sale of property, plant and equipment | | - | 355 130 |
| Purchase of intangible assets | 6 | (183 691) | - |
| Purchase of shares in subsidiary | 30 | (3 975 000) | - |
| Cash acquired on acquisition of subsidiaries | 30 | 1 394 825 | - |
| Loans advanced to associate | | (2 045 000) | (2 700 374) |
| Purchase of other financial asset | 23 | - | (30 805 850) |
| Proceeds on disposal of other financial asset | 23 | - | 28 791 031 |
| Investment income received | 21 | 516 593 | 1 242 479 |
| **Net cash from investing activities** | | **(7 999 434)** | **(6 898 374)** |
| **Cash flows from financing activities** | | | |
| Purchase of treasury shares | 14 | (538 070) | - |
| Payment of lease liabilities | 29 | (3 763 094) | (767 716) |
| Dividends paid | 28 | (3 093 645) | (2 517 865) |
| **Net cash from financing activities** | | **(7 394 809)** | **(3 285 581)** |
| **Total cash movement for the year** | | **(10 133 789)** | **3 203 544** |
| Cash at the beginning of the year | | 16 191 004 | 12 987 460 |
| **Total cash at end of the year** | 13 | **6 057 215** | **16 191 004** |

# ACCOUNTING POLICIES

**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 ("IFRIC") 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 SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and 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 (including structured 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.

# ACCOUNTING POLICIES (CONTINUED)

### 1.3. Investment in associate

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investments in associates are accounted for using the equity method. Under the equity method, investments in associates are carried in the Statement of Financial Position at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any impairment losses.

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. Losses in an associate in excess of the Group's interest in that associate, including any other unsecured receivables, are recognised only to the extent that the Group has incurred a legal or constructive obligation to make payments on behalf of the associate.

Any goodwill on acquisition of an associate is included in the carrying amount of the investment, however, a gain on acquisition is recognised immediately in profit or loss.

Profits or losses on transactions between the Group and an associate are eliminated to the extent of the Group's interest therein.

### 1.4. 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.

#### 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 to note 9.)

# ACCOUNTING POLICIES (CONTINUED)

**1.4. Significant judgements and sources of estimation uncertainty (continued)**

### 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 to paragraph 1.5 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 1.7. 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 to 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 to note 11 for information on the expected credit loss allowance.

### Goodwill impairment

The Group tests annually whether goodwill has suffered any impairment. 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.

# ACCOUNTING POLICIES (CONTINUED)

### 1.5. 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 is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. 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:

| Item | Depreciation method | Average useful life |
|---|---|---|
| Furniture and fixtures | Straight line | 6 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 | 3-6 years |
| Leasehold improvements | Straight line | 5 years |

### 1.6. 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 amortisation period and the amortisation method for intangible assets are reviewed every period-end.

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

| Item | Depreciation method | Average useful life |
|---|---|---|
| Computer software licences | Straight line | 3 years Indefinite |

# ACCOUNTING POLICIES (CONTINUED)

**1.7. 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.

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

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

# ACCOUNTING POLICIES (CONTINUED)

**1.8. Financial instruments**

Financial instruments held by the Group are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Note 33 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 11), loans to associates (note 8) and cash and cash equivalents (note 13) 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

Trade and other receivables, loan to associate and cash and cash equivalents are recognised when the Group becomes a party to the contractual provisions of the financial assets. The 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 receivable is purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the receivable, even if it is no longer credit-impaired.
- 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.

# ACCOUNTING POLICIES (CONTINUED)

## 1.8 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 and other 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 on loans to associates and cash and cash equivalents 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 a loan 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.

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 60 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 if there is a low risk of default based on the following definition of default.

### 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.

# ACCOUNTING POLICIES (CONTINUED)

**1.8 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 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 aforementioned described. The exposure at default is the gross carrying amount of the financial asset at the reporting date.

Lifetime ECL is measured on a collective basis in cases where evidence of significant increases in credit risk are not yet available at the individual instrument level. Financial assets are then grouped in such a manner that they share similar credit risk characteristics, such as nature of the loan, external credit ratings (if available), industry of counterparty, etc.

The grouping is regularly reviewed by management to ensure the constituents of each Group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial asset 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 visa versa.

The Group makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience 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 11.

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 33).

### Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is based on their amortised cost.

## OTHER FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS

### Classification

During the prior year the Group invested in an equity instrument, that was held for trading, which was classified as mandatorily at fair value through profit or loss. The investment was also disposed of during the prior year.

### Recognition and measurement

Investments in equity instruments are recognised when the Group becomes a party to the contractual provisions of the instrument. The investments are measured at initial recognition at fair value. Transaction costs are recognised in profit or loss.

Investments in equity instruments are subsequently measured at fair value with changes in fair value recognised either in profit or loss. Refer to note 23 for the loss on disposal.

# ACCOUNTING POLICIES (CONTINUED)

**1.8 Financial instruments (continued)**

### FINANCIAL LIABILITIES AT AMORTISED COST

#### Classification

Trade and other payables (note 16) are classified as financial liabilities and subsequently measured at amortised cost, except for VAT and amounts received in advance included in trade and other payables, which are not financial liabilities and are measured at cost.

#### Recognition and measurement

Financial liabilities are recognised when the Group becomes a party to the contractual provisions. The 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, it is included in profit or loss in finance costs (note 22).

Financial liabilities expose the Group to liquidity risk and interest rate risk. Refer to note 33 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 30).

#### 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 (note 22) and investment income (note 21).

### 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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

#### 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.

# ACCOUNTING POLICIES (CONTINUED)

**1.8 Financial instruments (continued)**

RECLASSIFICATION

Financial assets

The Group only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

Financial liabilities

Financial liabilities are not reclassified.

**1.9. Prepayments**

Prepayments relate to prepaid sales commission to staff and agents for newly concluded contractual sales. Prepaid commission costs are recognised when a contractual agreement is entered into with the Group and an employee or agent where commission is calculated in accordance with the agreements and paid on conclusion of the agreement to employees or agents. These prepayments are realised over the remaining period of the contractual agreements. If a customer's contractual agreement is settled pre-maturely, the outstanding amount prepaid is immediately recognised through profit or loss.

**1.10. 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.

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

# ACCOUNTING POLICIES (CONTINUED)

**1.11. 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.

### 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, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense (note 20) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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.

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 presented as a separate line item on the Statement of Financial Position.

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 22).

### 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.

# ACCOUNTING POLICIES (CONTINUED)

**1.11. Leases (continued)**

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

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

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.

**1.12. 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.

**1.13. 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.

**1.14. 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.

**1.15. 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.

# ACCOUNTING POLICIES (CONTINUED)

**1.16. 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.

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.

Revenue is recognised when the performance obligation relating to each specific contract has been satisfied. 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.

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 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. 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.

# ACCOUNTING POLICIES (CONTINUED)

**1.17. Investment income**

Income is recognised as interest accrues using the effective interest rate method (the rate that exactly discounts estimated future cash receipts through the expected life of the financial instruments to the net carrying amount of the financial asset).

**1.18. 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 1/2021 issued by the South African Institute of Chartered Accountants.

**1.19. 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 as of 1 July 2020 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.

The Group did not have any reportable operating segments for the year ended 30 June 2020. The nature of the Group structure and services were such that the internal reporting thereof to the CODM was allocated as a single operating segment. The services provided and customer base were not operated or managed separately. The change in the segmented reporting and management internally arose following the business combinations as outlined in note 30.

# ACCOUNTING POLICIES (CONTINUED)

## 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.

| Standard/ Interpretation: | Effective date: Years beginning on or after |
|---|---|
| • Definition of a business - Amendments to IFRS 3 | 1 January 2020 |
| • Presentation of Financial Statements: Disclosure initiative | 1 January 2020 |
| • Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative | 1 January 2020 |

### 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 are mandatory for the Group's accounting periods beginning on or after 1 July 2021 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.

| Standard/ Interpretation: Years beginning on or after | Effective date: |
|---|---|
| • Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2 to disclose material policies rather than significant policies | 1 January 2023 |
| • Definition of accounting estimates: Amendments to IAS 8 | 1 January 2023 |
| • Classification of Liabilities as Current or Non-Current - Amendment to IAS 1 | 1 January 2023 |
| • Deferred tax related to assets and liabilities arising from single transactions: Amendments to IAS 12 | 1 January 2023 |
| • Annual Improvement to IFRS Standards 2018 - 2020: Amendments to IFRS 1 | 1 January 2022 |
| • Reference to the Conceptual Framework: Amendments to IFRS 3 | 1 January 2022 |
| • Annual Improvement to IFRS Standards 2018 - 2020: Amendments to IFRS 9 - fees and costs to be included when applying the '10 per cent' test for purposes of derecognition | 1 January 2022 |
| • Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16 | 1 January 2022 |
| • Onerous Contracts - Cost of Fulfilling a Contract: Amendments to IAS 37 | 1 January 2022 |
| • Covid-19 - Related Rent Concessions - Amendment to IFRS 16 | 1 April 2021 |

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

## 3. Property, plant and equipment

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated depreciation | Carrying value | Cost | Accumulated depreciation | Carrying value |
| Furniture and fixtures | 918 589 | (497 358) | 421 231 | 474 240 | (3 514) | 470 726 |
| Motor vehicles | 671 605 | (461 761) | 209 844 | 505 705 | (257 810) | 247 895 |
| Office equipment | 198 832 | (170 906) | 27 926 | - | - | - |
| IT equipment | 1 692 059 | (1 217 567) | 474 492 | 429 241 | (204 285) | 224 956 |
| Routers and handsets | 20 453 462 | (14 421 062) | 6 032 400 | 33 121 296 | (26 537 963) | 6 583 333 |
| Leasehold improvements | 29 615 | (3 455) | 26 160 | - | - | - |
| **Total** | **23 964 162** | **(16 772 109)** | **7 192 053** | **34 530 482** | **(27 003 572)** | **7 526 910** |

**Reconciliation of property, plant and equipment - 2021**

| | Opening balance | Additions | Additions through business combinations* | Transfers from right-of- use assets | Depreciation | Total |
|---|---|---|---|---|---|---|
| Furniture and fixtures | 470 726 | 7 760 | 12 066 | - | (69 321) | 421 231 |
| Motor vehicles | 247 895 | - | - | 119 581 | (157 632) | 209 844 |
| Office equipment | - | - | 70 908 | - | (42 982) | 27 926 |
| IT equipment | 224 956 | 238 101 | 203 208 | - | (191 773) | 474 492 |
| Routers and handsets | 6 583 333 | 3 461 300 | - | 79 925 | (4 092 158) | 6 032 400 |
| Leasehold improvements | - | - | 29 615 | - | (3 455) | 26 160 |
| | **7 526 910** | **3 707 161** | **315 797** | **199 506** | **(4 557 321)** | **7 192 053** |

**Reconciliation of property, plant and equipment - 2020**

| | Opening balance | Additions | Disposals | Reclassified to right-of- use assets | Depreciation | Total |
|---|---|---|---|---|---|---|
| Furniture and fixtures | 128 013 | 474 240 | (128 013) | - | (3 514) | 470 726 |
| Motor vehicles | 436 048 | 181 099 | (166 964) | (147 177) | (55 111) | 247 895 |
| Office equipment | 59 810 | - | - | - | (59 810) | - |
| IT equipment | 296 664 | 161 727 | - | - | (233 435) | 224 956 |
| Routers and handsets | 9 249 033 | 2 963 724 | - | (966 241) | (4 663 183) | 6 583 333 |
| | **10 169 568** | **3 780 790** | **(294 977)** | **(1 113 418)** | **(5 015 053)** | **7 526 910** |

* Refer to note 30 for business combinations.

### Contractual commitments

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

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

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

The group leases buildings, motor vehicles, racks and routers and handsets. The average lease terms are as follows:

Buildings - 5 years. There are 44 months (2020: 56 months) remaining on the lease at year end. Monthly repayments are R 173 152 (2020: R 161 825) and the interest rate is 8.75% (2020: 8.75%).

Motor vehicles - 3 years. There are 14 months remaining at the end of the prior year. Monthly repayments were R 5 572 and the interest rate was 13.5% (2020: 13.5%).

Routers and handsets - 36 to 60 months. There are an average of 24 months (2020: 36 months) remaining on the leases at year end. Monthly repayments are R 41 577 (2020: R 46 375) and the interest rate is between 8.75% and 13.5% (2020: 8.75% and 13.5%).

Racks - 3 to 5 years. There is an average of 40 months remaining on the leases at year end. Monthly repayments are R 169 529 and the interest rate is 9.7% to 10.5%. The additional racks were acquired to meet growing demand for data centre business services.

IT Equipment - 5 years. There are 41 months remaining on the lease at year end. Monthly repayments are R 18 970 and the interest rate is 10.47%.

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 Covid-19 related rental concessions received.

There were no leases to which the group is committed to which have not yet commenced. Short term leases relate to premises. Details pertaining to leasing arrangements, where the Group is lessee are presented below:

## Right-of-use assets - 2021

| | Opening balance | Additions | Additions through business combinations | Disposals | Transfers to property, plant and equipment | Depreciation | Total |
|---|---|---|---|---|---|---|---|
| Buildings | 8 254 612 | - | 1 387 310 | - | - | (1 872 894) | 7 769 028 |
| Motor vehicles | 119 581 | - | - | - | (119 581) | - | - |
| Routers and handsets | 1 401 639 | - | - | (82 917) | (79 925) | - | 1 238 797 |
| Racks | - | 8 673 427 | - | - | - | (1 339 547) | 7 333 880 |
| IT equipment | - | - | 753 731 | - | - | (178 871) | 574 860 |
| | **9 775 832** | **8 673 427** | **2 141 041** | **(82 917)** | **(199 506)** | **(3 391 312)** | **16 916 565** |

## Right-of-use assets - 2020

| | Opening balance | Reclassified from property, plant and equipment | Additions | Depreciation | Total |
|---|---|---|---|---|---|
| Buildings | - | - | 8 844 227 | (589 615) | 8 254 612 |
| Motor vehicles | - | 147 177 | - | (27 596) | 119 581 |
| Routers and handsets | - | 966 241 | 786 670 | (351 272) | 1 401 639 |
| | **-** | **1 113 418** | **9 630 897** | **(968 483)** | **9 775 832** |

* Refer to note 30 for business combinations.

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

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

| Figures in Rands | 2021 | 2020 |
|---|---|---|
| **Other disclosures** | | |
| Interest expense on lease liabilities | 1 253 939 | 391 969 |
| Expenses on short term leases included in operating expenses | - | 1 565 671 |
| Capital repayments on leases Total cash outflow from leases | 5 017 033 | 2 654 277 |
| At 30 June 2021, the Group does not have any commitments for short-term leases (2020: R nil). | | |
| **Lease liabilities** | | |
| The maturity analysis of lease liabilities is as follows: | | |
| Within one year | 6 744 392 | 2 716 647 |
| Two to five years | 12 618 291 | 9 559 391 |
| | 19 362 683 | 12 276 038 |
| Less finance charges component | (2 290 004) | (2 554 732) |
| | **17 072 679** | **9 721 306** |
| Non-current liabilities | 12 523 492 | 8 256 118 |
| Current liabilities | 4 549 187 | 1 765 188 |
| | **17 072 679** | **10 021 306** |

### Exposure to liquidity risk

Refer to note 33 Financial instruments and risk management for the details of liquidity risk exposure and management.

**5. Goodwill**

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | **Cost** | **Accumulated impairment** | **Carrying value** | **Cost** | **Accumulated impairment** | **Carrying value** |
| Goodwill | 22 952 676 | - | 22 952 676 | 3 286 779 | - | 3 286 779 |

### Reconciliation of goodwill - 2021

| | **Opening balance** | **Additions through business combinations*** | **Total** |
|---|---|---|---|
| Goodwill | 3 286 779 | 19 665 897 | 22 952 676 |

### Reconciliation of goodwill - 2020

| | **Opening balance** | **Total** |
|---|---|---|
| Goodwill | 3 286 779 | 3 286 779 |

* Refer to note 30 for details of business combinations.

| Figures in Rands | 2021 | 2020 |
|---|---|---|
| **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 (refer to note 30) | 5 290 503 | - |
| Contineo Connections (Pty) Ltd - acquired 1 July 2020 (refer to note 30) | 13 681 190 | - |
| PerfectWorx Consulting (Pty) Ltd - acquired 1 July 2020 (refer to note 30) | 694 204 | - |
| | **22 952 676** | **3 286 779** |

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

**5. Goodwill (continued)**

## 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 1.4. 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:

- Current number of ports in use with no yearly increase;
- Average number of minutes, charges per minutes and fixed monthly charges are kept constant, no increases were applied;
- Estimated cost of sales increases in line with the number of ports; and
- The number of racks leased.

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, as well as a 1% long term growth rate, were used in discounting the projected cash flows over a five year period.

| Figures in Rands | 2021 | 2020 |
|---|---|---|
| **Weighted average discount rates applied** | | |
| Catalytic Connections (Pty) Ltd | 15.80 % | 14.26 % |
| Spice Telecom (Pty) Ltd | 15.80 % | 15.26 % |
| PerfectWorx Consulting (Pty) Ltd | 14.90 % | - % |
| Contineo Virtual Communications (Pty) Ltd | 14.90 % | - % |
| Ultra DataCentre (Pty) Ltd | 18.80 % | - % |
| **Weight average revenue growth rates applied** | | |
| Catalytic Connections (Pty) Ltd | 3.00 % | 4.50 % |
| Spice Telecom (Pty) Ltd | 3.00 % | 4.50 % |
| PerfectWorx Consulting (Pty) Ltd | 4.50 % | - % |
| Contineo Virtual Communications (Pty) Ltd | 4.50 % | - % |
| Ultra DataCentre (Pty) Ltd | ^ refer below | - % |

^ Growth rates were based on an average of 279.7% for the following three years to achieve current capacity and thereafter 4.5%.

## Sensitivity

The value of a 1% increase in the discount rates and 1% decrease in revenue growth rates applied to the discounted cash flow did not result in any indication of impairment. In both instances the value per the discounted cash flow remains in excess of the value of the cash generating unit.

The assessment is based on past experience and actual historic information provided.

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

## 6. Intangible assets

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated amortisation | Carrying value | Cost | Accumulated amortisation | Carrying value |
| Computer software | 1 410 850 | (565 957) | 844 893 | 4 174 209 | (2 555 036) | 1 619 173 |
| Licences - indefinite life | 300 000 | - | 300 000 | 300 000 | - | 300 000 |
| **Total** | **1 710 850** | **(565 957)** | **1 144 893** | **4 474 209** | **(2 555 036)** | **1 919 173** |

**Reconciliation of intangible assets - 2021**

| | Opening balance | Additions | Amortisation | Total |
|---|---|---|---|---|
| Computer software | 1 619 173 | 183 691 | (957 971) | 844 893 |
| Licences - indefinite life | 300 000 | - | - | 300 000 |
| | **1 919 173** | **183 691** | **(957 971)** | **1 144 893** |

**Reconciliation of intangible assets - 2020**

| | Opening balance | Amortisation | Total |
|---|---|---|---|
| Computer software | 2 419 997 | (800 824) | 1 619 173 |
| Licences - indefinite life | 300 000 | - | 300 000 |
| | **2 719 997** | **(800 824)** | **1 919 173** |

### 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 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.

## 7. Investment in associate

The Group acquired a 25% share in ConexLink (Pty) Ltd as at 1 June 2020. Effective 1 January 2021, the Group acquired a further 1% for consideration of R 53 000. The remaining 74% share was acquired by the Group on 1 April 2021 at which date the entity was then accounted for as a subsidiary (refer to note 30). The company has since been renamed Ultra DataCentre (Pty) Ltd.

The financial year end of ConexLink (Pty) Ltd was February. Financial statements as at 30 June 2020 were utilised to equity account for the associate for the 2020 year end. The Group did not recognise its share of the losses of ConexLink (Pty) Ltd in the prior year and to the date that the Group acquired control as the Group had no obligation for any losses of the company while it was an associate. The R 25 carrying value in 2020 was the Group's interest in the share capital of the associate. The associate was not material to the Group.

Details of the associate held by the Group is as follows:

| Name of company | Held by | % Ownership interest 2021 | % Ownership interest 2020 | Carrying a mount 2021 | Carrying amount 2020 |
|---|---|---|---|---|---|
| ConexLink (Pty) Ltd | TeleMasters Holdings Ltd | - % | 25.00 % | - | 25 |
| **Reconciliation of investment in subsidiary** | | | | | |
| Investment at beginning of period | | | | 25 | - |
| Acquisitions | | | | 53 000 | 25 |
| Reclassify as a subsidiary on acquisition of control | | | | (53 025) | - |
| Investment in associate at end of period | | | | - | 25 |

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

## 8. Loans to associate

| Figures in Rands | 2021 | 2020 |
|---|---|---|
| ConexLink (Pty) Ltd, renamed Ultra DataCentre (Pty) Ltd | - | 2 700 374 |

The loan was unsecured and interest free. There were no fixed terms of repayment. However, the loan amounts were not repayable within 12 months of the advance of each amount.

**Exposure to credit risk**

Loans receivable inherently expose the Group to credit risk, being the risk that the Group will incur financial loss if counterparties fail to make payments as they fall due.

In determining the amount of expected credit losses, the Group took into account the financial position as well as the future prospects of the counterparty which included future contracts that were forecast to be profitable. The credit quality of the loan receivable was considered to be high. Based on these factors, no credit loss allowance was recognised.

The maximum exposure to credit risk was the gross carrying amount of the loan. The Group did not hold collateral or other credit enhancements against the loan.

**Fair value of group loans receivable**

The fair value of Group loans receivable approximated their carrying amounts as the impact of any discounting to the present value at 30 June 2021 was not considered significant to the Group.

## 9. Deferred tax

| Figures in Rands | 2021 | 2020 |
|---|---|---|
| **Deferred tax liability** | | |
| Lease liabilities | (70 147) | (6 048) |
| Prepayments | (152 749) | (465 009) |
| Licences | (84 000) | (84 000) |
| **Total deferred tax liability** | **(306 896)** | **(555 057)** |
| **Deferred tax asset** | | |
| Credit losses allowances | 768 880 | 288 809 |
| Employee related accruals | 167 602 | 134 179 |
| Deferred income | - | 24 930 |
| Right-of-use assets | 214 703 | 74 735 |
| Deferred tax balance from temporary differences other than unused tax losses | 1 151 185 | 522 653 |
| Tax losses available for set off against future taxable income | 1 851 197 | 383 483 |
| **Total deferred tax asset** | **3 002 382** | **906 136** |

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

**9. Deferred tax (continued**

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction and the law allows net settlement. They have therefore been offset in the statement of financial position on a per entity basis as follows:

| Figures in Rands | 2021 | 2020 |
|---|---|---|
| Deferred tax liability | (102 758) | - |
| Deferred tax asset | 2 798 244 | 351 079 |
| **Total net deferred tax asset** | **2 695 486** | **351 079** |
| **Reconciliation of deferred tax asset / (liability)** | | |
| At beginning of year | 351 079 | 206 899 |
| Increases (decrease) in tax loss available for set off against future taxable income | 1 467 714 | (178 625) |
| Taxable / (deductible) temporary differences on lease liabilities | (64 099) | (18 566) |
| Taxable / (deductible) temporary differences on prepayments | 312 260 | 973 947 |
| Taxable / (deductible) temporary differences on credit loss allowances | 480 071 | (616 708) |
| Taxable / (deductible) temporary differences employee related accruals | 33 423 | (17 380) |
| Taxable / (deductible) temporary differences on deferred income | (24 930) | (31 597) |
| Taxable / (deductible) temporary differences on right-of-use assets | 139 968 | 74 735 |
| Taxable / (deductible) temporary differences on staff bonuses | - | (41 626) |
| | **2 695 486** | **351 079** |

Deferred tax has not been amended for the corporate tax rate change to 27% for years of assessment commencing 1 April 2022 as the tax loss and the temporary differences are anticipated to be utilised before the applicable financial year end.

**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.

**10. Inventories**

| Figures in Rands | 2021 | 2020 |
|---|---|---|
| Routers and handsets | 676 660 | 285 053 |

**11. Trade and other receivables**

| Figures in Rands | 2021 | 2020 |
|---|---|---|
| **Financial instruments:** | | |
| Trade receivables | 7 155 376 | 3 633 724 |
| Loss allowance - specific contract | (3 067 500) | - |
| Loss allowance - other | (640 233) | (1 375 280) |
| Trade receivables at amortised cost | 3 447 643 | 2 258 444 |
| Deposits | 102 425 | 76 926 |
| Accruals for revenue | 1 023 200 | 1 529 391 |
| Other receivables | 14 686 | - |
| **Non-financial instruments:** | | |
| VAT | 539 997 | 878 303 |
| **Total trade and other receivables** | **5 127 951** | **4 743 064** |
| **Financial instrument and non-financial instrument components of trade and other receivables** | | |
| At amortised cost | 4 587 954 | 3 864 761 |
| Non-financial instruments | 539 997 | 878 303 |
| | **5 127 951** | **4 743 064** |

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

**11. Trade and other receivables (continued)**

**Exposure to credit risk**

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 to note 16). 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.

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

A specific credit loss allowance was raised for R 3 067 500 for the failure to collect revenues arising from a breach of contract by one customer in relation to one specific contract concluded with subsidiary Catalytic Connections (Pty) Ltd for which it has initiated legal proceedings. Further detail is included in the Directors' Report. The credit loss allowance is 100% of the trade receivable excluding VAT.

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 (2020: 30 days). No interest is charged on outstanding trade receivables.

A loss allowance is recognised for all trade receivables in accordance with IFRS 9 Financial Instruments and is monitored at the end of each reporting period. The provision matrix has been developed by making use of past default experience of trade receivables but also incorporates forward looking information (e.g. inflation, gross domestic product, unemployment rates) 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 nil (2020: nil).

Accrued income 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 aforementioned 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.

| | 2021 | 2021 | 2020 | 2020 |
|---|---|---|---|---|
| **Expected credit loss rate:** | **Estimated gross carrying amount at default** | **Loss allowance (Lifetime expected credit loss)** | **Estimated gross carrying amount at default** | **Loss allowance (Lifetime expected credit loss)** |
| Less than 30 days past due: 4.65% (2020: 5.55%) | 2 542 649 | (118 130) | 2 035 422 | (112 898) |
| 31 - 60 days past due: 3.28% (2020: 64.00%) | 143 845 | (4 711) | 208 912 | (133 722) |
| 61 - 90 days past due: 53.48% (2020: 90.57%) | 42 961 | (22 975) | 116 314 | (105 343) |
| more than 90 days past due: 80.48% (2020: 80.38%) | 4 425 921 | (3 561 917) | 1 273 074 | (1 023 316) |
| **Total** | **7 155 376** | **(3 707 733)** | **3 633 722** | **(1 375 279)** |

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

## 11. Trade and other receivables (continued)

### Reconciliation of loss allowances

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

| Figures in Rands | 2021 | 2020 |
|---|---|---|
| **Opening balance** | **(1 375 279)** | **(4 311 986)** |
| Amounts written off as uncollectable | 1 046 510 | 1 211 707 |
| New provisions raised | (311 464) | - |
| Reversal of impairment for trade receivables repaid | - | 1 725 000 |
| Specific new provision raised | (3 067 500) | - |
| **Closing balance** | **(3 707 733)** | **(1 375 279)** |

### 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.

## 12. Prepayments

| Reconciliation of prepayments - 2021 | Opening balance | Additions | Released to profit or loss | Closing balance |
|---|---|---|---|---|
| Prepaid sales commission | 1 660 746 | - | (1 660 746) | - |
| Prepaid licensing and support | - | 667 045 | - | 667 045 |
| | **1 660 746** | **667 045** | **(1 660 746)** | **667 045** |

| Reconciliation of prepayments - 2020 | Opening balance | Additions | Released to profit or loss | Closing balance |
|---|---|---|---|---|
| Prepaid sales commission | 5 139 128 | - | (3 478 382) | 1 660 746 |

Prepaid sales commission relate to upfront commission paid to staff and agents for newly concluded contractual sales. The initial contractual term is used to amortise the sales commission (Refer to accounting policy 1.9).

## 13. Cash and cash equivalents

| Figures in Rands | 2021 | 2020 |
|---|---|---|
| Cash on hand | 1 117 | 3 689 |
| Bank balances | 1 590 189 | 3 275 054 |
| Short-term deposits | 4 465 909 | 12 912 261 |
| | **6 057 215** | **16 191 004** |

### 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:

| Figures in Rands | 2021 | 2020 |
|---|---|---|
| **Credit rating** | | |
| zaAA (2020: zaA-1+) | 2 339 803 | 16 187 315 |
| A | 3 577 591 | - |
| AA+ | 138 704 | - |
| | **6 056 098** | **16 187 315** |

### Fair value of cash and cash equivalents

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

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

## 14. Share capital

| Number of shares | 2021 | 2020 |
|---|---|---|
| **Authorised** | | |
| 500 000 000 Ordinary shares of R0.0001 each | 50 000 | 50 000 |
| **Reconciliation of number of shares issued:** | | |
| At beginning of year | 42 000 000 | 42 000 000 |
| Issue of ordinary shares | 8 500 000 | - |
| | 50 500 000 | 42 000 000 |
| Shares purchased by subsidiary | (420 562) | - |
| | **50 079 438** | **42 000 000** |

449 500 000 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.

| Figures in Rands | 2021 | 2020 |
|---|---|---|
| **Issued** | | |
| Ordinary | 5 050 | 4 200 |
| Share premium | 14 465 412 | 5 966 262 |
| 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 | (538 070) | - |
| | **8 009 989** | **48 059** |

The Company issued an additional 8 500 000 shares in settlement of the initial purchase consideration payable for the acquisitions of Contineo and PerfectWorx (refer to note 30). The balance of the consideration will be settled based on the performance of the companies in their 2021 and 2022 financial years. The amount will be settled by the issue of TeleMasters Holdings Limited shares at the 30-day VWAP price per share less a 10% discount to a maximum of R 8 000 000 or 8 000 000 shares.

A wholly owned subsidiary of the Company purchased 420 562 shares in the Company for an average purchase price of 127.94 cents per share as part of the Group's share repurchase programme. These shares are being held as treasury shares.

## 15. Shareholder analysis

| **Shareholders holding more than 5% at year end** | **% Holding** | **No. of shareholders** | **No. of shares** |
|---|---|---|---|
| Maison D'Obsession Trust (Chairman beneficial interest) | 70.69 | 1 | 35 700 000 |
| JM Voigt | 9.60 | 1 | 4 849 591 |
| LP Pieton | 7.57 | 1 | 3 825 000 |
| **Public and non-public shareholders** | | | |
| Directors and associates | 80.40 | 3 | 40 599 591 |
| Public and staff with no restrictions on dealings | 19.60 | 513 | 9 900 409 |
| | **100.00** | **516** | **50 500 000** |

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

## 16. Trade and other payables

| Figures in Rands | 2021 | 2020 |
|---|---|---|
| **Financial instruments:** | | |
| Trade payables | 2 149 983 | 1 590 735 |
| Accruals | 749 336 | 1 380 473 |
| Deposits received | 39 457 | 49 168 |
| **Non-financial instruments:** | | |
| VAT | 80 432 | 408 956 |
| Accrued leave pay | 598 577 | 923 543 |
| Employee related payables | 466 994 | 291 369 |
| | **4 084 779** | **4 644 244** |

**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.

## 17. Deferred income

Deferred income comprised of income from various sale and leaseback transactions entered into between the Group and Tagfin (Pty) Ltd (formerly Kumkani Finance (Pty) Ltd) for equipment over a period varying from 36 months to 60 months. The deferred income on these sale and leaseback transactions were deferred over the term of the lease agreement.

| | | |
|---|---|---|
| Current liabilities | - | 89 036 |

The impact of the adoption of IFRS 16 on deferred income was assessed and considered by management to not be material to the Group.

## 18. Revenue

| Figures in Rands | 2021 | 2020 |
|---|---|---|
| **Revenue from contracts with customers** | | |
| Sale of goods | 4 700 236 | 1 256 760 |
| Rendering of services | 71 312 538 | 78 409 524 |
| | **76 012 774** | **79 666 284** |

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

The disaggregation and timing of revenue from customers is as follows:

| | Catalytic 2021 | Contineo and PerfectWorx 2021 | Ultra DC 2021 | Total 2021 | Total 2020 |
|---|---|---|---|---|---|
| **Sale of goods** | | | | | |
| Equipment sales - at a point in time | 4 209 256 | 490 980 | - | 4 700 236 | 1 256 760 |
| **Rendering of services** | | | | | |
| Airtime - at a point in time | 20 497 508 | - | - | 20 497 508 | 27 524 699 |
| Connection fees - over time | 35 047 646 | - | - | 35 047 646 | 49 663 926 |
| Service fees - over time | 13 844 121 | 1 858 231 | 65 032 | 15 767 384 | 1 220 898 |
| | 69 389 275 | 1 858 231 | 65 032 | 71 312 538 | 78 409 524 |
| **Total revenue from contracts with customers** | **73 598 531** | **2 349 211** | **65 032** | **76 012 774** | **79 666 284** |

Refer to note 37 for segment reporting.

## 19. Other operating gains

| Gains on disposals, scrappings and settlements | 2021 | 2020 |
|---|---|---|
| Property, plant and equipment | - | 60 153 |

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

## 20. Operating (loss) / profit

Operating (loss) / profit for the year is stated after charging (crediting) the following, amongst others:

**Auditor's remuneration - external**

| Figures in Rands | 2021 | 2020 |
|---|---|---|
| Audit fees | 71 775 | 491 521 |
| **Remuneration, other than to employees** | | |
| Consulting and professional services | 1 973 759 | 891 511 |
| Secretarial services | 695 286 | 563 637 |
| | **2 669 045** | **1 455 148** |
| **Employee costs** | | |
| Salaries, wages, bonuses and other benefits | 18 546 900 | 15 286 224 |
| Retirement benefit plans: defined contribution expense | 232 916 | 195 733 |
| | **18 779 816** | **15 481 957** |
| **Leases** | | |
| Short term leases - premises | - | 1 565 671 |
| **Depreciation and amortisation** | | |
| Depreciation of property, plant and equipment | 4 557 321 | 5 015 053 |
| Depreciation of right-of-use assets | 3 391 312 | 968 483 |
| Amortisation of intangible assets | 957 971 | 800 824 |
| | **8 906 604** | **6 784 360** |
| **Losses on disposals, scrappings and settlements** | | |
| Right-of-use assets | 82 917 | - |
| **Movement in credit loss allowances** | | |
| Trade and other receivables | 2 332 454 | (2 936 707) |

## 21. Investment income

| Figures in Rands | 2021 | 2020 |
|---|---|---|
| **Interest income** | | |
| **Investments in financial assets:** | | |
| Bank and other cash | 514 641 | 1 242 479 |
| Overpayment of tax | 1 952 | - |
| Contingent consideration (refer to note 30) | 15 000 | - |
| **Total interest income** | **531 593** | **1 242 479** |

## 22. Finance costs

| Figures in Rands | 2021 | 2020 |
|---|---|---|
| Lease liabilities | 1 253 939 | 391 969 |
| Contingent consideration (refer to note 30) | 337 500 | - |
| Late payment of tax | 4 491 | - |
| Trade payables | 19 812 | - |
| Fuel cards | 1 693 | 3 946 |
| **Total finance costs** | **1 617 435** | **395 915** |

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

## 23. Loss on disposal of financial assets

| | | |
|---|---|---|
| **Loss on disposals** | | |
| Loss on disposal of financial assets | - | (2 014 819) |

During the 2020 financial period, the Group initially transferred an amount of R 15.8 million from its money market investments to a unit trust investment with a view to maximise its investment returns. However, due to the increased volatility in the financial markets, mainly as a result of the Covid-19 pandemic, the Company did not realise the expected gains. The investment in the unit trust was held for a period of approximately four months during which time funds were withdrawn and reinvested based on the Group's cash requirements at varying intervals during the period. The amounts presented on the Statement of Cash flows represent the gross cash invested and withdrawn during the period. The interest received on the investment in the unit trust amounted to R 589 121 and the loss on realisation / disposal of the investment in the unit trust amounts to R 2 014 819.

## 24. Taxation

| Figures in Rands | 2021 | 2020 |
|---|---|---|
| **Major components of the tax income** | | |
| **Current** | | |
| Local income tax - current period | 129 540 | 79 966 |
| Local income tax - prior year underprovision | 13 661 | - |
| | **143 201** | **79 966** |
| **Deferred** | | |
| Originating and reversing temporary differences | (1 832 791) | (144 180) |
| | **(1 689 590)** | **(64 214)** |
| **Reconciliation of the tax expense** | | |
| Reconciliation between accounting profit and tax expense. | | |
| Accounting loss | (5 627 009) | 1 025 341 |
| Tax at the applicable tax rate of 28% (2020: 28%) | (1 575 563) | 287 095 |
| **Tax effect of adjustments on taxable income** | | |
| Unrecognised tax losses utilised | (219 158) | (352 104) |
| Underprovision in previous year | 13 661 | - |
| Expenses not deductible | 1 170 | - |
| Donations | - | (795) |
| Net interest on contingent consideration not deductible | 90 300 | - |
| | **(1 689 590)** | **(65 804)** |

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

## 25. Earnings per share

| Figures in Rands | 2021 | 2020 |
|---|---|---|
| **Basic (loss) / earnings reconciliation** | | |
| (Loss) / profit attributable to equity holders of the Company | (3 937 419) | 1 089 555 |
| **Basic (loss) / earnings** | **(3 937 419)** | **1 089 555** |
| **Headline (loss) / earnings reconciliation** | | |
| (Loss) / profit attributable to ordinary shareholders | (3 937 419) | 1 089 555 |
| **Adjustments** | | |
| IAS 16 Gain on disposal of property, plant and equipment | - | (60 153) |
| Taxation thereon | - | 16 843 |
| Net adjustment | - | (43 310) |
| **Headline (loss) / earnings** | **(3 937 419)** | **1 046 245** |
| Number of shares in issue | 50 500 000 | 42 000 000 |
| Weighted average shares in issue | 50 323 330 | 42 000 000 |
| Diluted weighted average shares in issue | 58 323 330 | 42 000 000 |
| Basic (loss) / earnings per share (cents) | (7.82) | 2.59 |
| Diluted (loss) / earnings per share (cents) | (6.75) | 2.59 |
| Headline (loss) / earnings per share (cents) | (7.82) | 2.49 |
| Diluted (loss) / headline earnings per share (cents) | (6.75) | 2.49 |

## 26. Cash generated from operations

| Figures in Rands | 2021 | 2020 |
|---|---|---|
| (Loss) / profit before taxation | (5 627 009) | 1 025 341 |
| **Adjustments for:** | | |
| Depreciation and amortisation | 8 906 605 | 6 784 360 |
| Gain on disposal of property, plant and equipment | - | (60 153) |
| Interest income | (531 593) | (1 242 479) |
| Finance costs | 1 617 435 | 395 915 |
| Net movements in credit loss allowances | 2 332 453 | (2 936 707) |
| Loss on disposal of financial asset | - | 2 014 819 |
| Loss on disposals of right-of-use assets | 82 917 | - |
| **Changes in working capital net of acquisitions:** | | |
| Inventories | (369 080) | 81 268 |
| Trade and other receivables | (2 353 103) | 4 213 220 |
| Prepayments | 993 701 | 3 478 382 |
| Trade and other payables | 1 841 982 | 228 459 |
| Deferred income | (89 036) | (112 848) |
| | **6 805 272** | **13 869 577** |

## 27. Tax paid

| Figures in Rands | 2021 | 2020 |
|---|---|---|
| Balance at beginning of the year | 31 565 | 25 368 |
| Acquisitions | (15 949) | - |
| Current tax for the year recognised in profit or loss | (143 201) | (79 966) |
| Balance at end of the year | (137 298) | (31 565) |
| | **(264 883)** | **(86 163)** |

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

## 28. Dividends paid

| Figures in Rands | 2021 | 2020 |
|---|---|---|
| Balance at beginning of the year | (758 097) | (83 962) |
| Dividends | (3 232 000) | (3 192 000) |
| Balance at end of the year | 896 452 | 758 097 |
| | **(3 093 645)** | **(2 517 865)** |

## 29. Changes in liabilities arising from financing activities

**Reconciliation of liabilities arising from financing activities - 2021**

| | Opening balance | Business combinations * | Net finance costs | New leases | Total non-cash movements | Cash flows | Closing balance |
|---|---|---|---|---|---|---|---|
| Contingent consideration | - | 7 440 000 | 322 500 | - | 7 762 500 | - | 7 762 500 |
| Lease liabilities | 10 021 306 | 2 141 041 | - | 8 673 426 | 20 835 773 | (3 763 094) | 17 072 679 |
| **Total liabilities from financing activities** | **10 021 306** | **9 581 041** | **322 500** | **8 673 426** | **28 598 273** | **(3 763 094)** | **24 835 179** |

- Refer to note 30 for business combinations.

**Reconciliation of liabilities arising from financing activities - 2020**

| | Opening balance | New leases | Total non-cash movements | Cash flows | Closing balance |
|---|---|---|---|---|---|
| Lease liabilities | 1 158 125 | 9 630 897 | 9 630 897 | (767 716) | 10 021 306 |
| **Total liabilities from financing activities** | **1 158 125** | **9 630 897** | **9 630 897** | **(767 716)** | **10 021 306** |

## 30. Business combinations

| Figures in Rands | 2021 | 2020 |
|---|---|---|
| **Aggregated business combinations** | | |
| Property, plant and equipment | 315 797 | - |
| Right-of-use assets | 2 141 041 | - |
| Deferred tax | 511 614 | - |
| Inventories | 22 527 | - |
| Trade and other receivables | 3 271 982 | - |
| Cash and cash equivalents | 1 394 825 | - |
| Long term loans | (4 745 374) | - |
| Lease liabilities | (2 141 041) | - |
| Trade and other payables | (522 243) | - |
| **Fair value of assets acquired and liabilities assumed** | **249 128** | **-** |
| **Fair value of consideration paid** | | |
| Issue of shares | 8 500 000 | - |
| Cash paid in prior year | 25 | - |
| Cash paid in current year | 3 975 000 | - |
| Contingent consideration | 7 440 000 | - |
| | **19 915 025** | **-** |
| **Goodwill** | **19 665 897** | **-** |

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

## 30. Business combinations (continued)

| Figures in Rands | 2021 | 2020 |
|---|---|---|
| **Net cash outflow on acquisition** | | |
| Cash consideration paid - prior year | (25) | - |
| Cash consideration paid - current year | (3 975 000) | - |
| Cash acquired | 1 394 825 | - |
| | **(2 580 200)** | **-** |

There were no significant judgements or estimates required in assessing the fair value assets and liabilities acquired or the fair value of the consideration paid.

**Acquisition of Contineo Virtual Communications (Pty) Ltd and PerfectWorx Consulting (Pty) Ltd**

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 R 16 500 000. An aggregate of 8 500 000 shares at R 1 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. The balance of the consideration will be settled based on the performance of the companies in their 2021 and 2022 financial years. The amount will be settled by the issue of TeleMasters shares at the 30-day VWAP price per share less a 10% discount to a maximum of R 8 000 000 or 8 000 000 shares.

Contineo Virtual Communications (Pty) Limited ("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) Limited ("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.

Contineo and Perfectworx have been key suppliers to TeleMasters since 2010 and provide the Group with, *inter alia*, platform services, professional and technical support services and network-related equipment. During the past two years, Contineo and Perfectworx have played a key role in assisting TeleMasters to roll out its digital solutions offerings to customers. The Board is of the opinion that the acquisition of these key suppliers enhances the Group’s ability to provide vertically and horizontally integrated and unified product offerings to its customers on competitive and cost effective terms. The goodwill arises from these synergies.

| | Contineo | PerfectWorx | 2021 Total |
|---|---|---|---|
| **Fair value of assets acquired and liabilities assumed** | | | |
| Property, plant and equipment | 76 387 | 89 155 | 165 542 |
| Right-of-use assets | 753 731 | - | 753 731 |
| Trade and other receivables | 504 782 | 42 957 | 547 739 |
| Cash and cash equivalents | 604 851 | 752 387 | 1 357 238 |
| Lease liabilities | (753 731) | - | (753 731) |
| Trade and other payables | (242 210) | (263 703) | (505 913) |
| | **943 810** | **620 796** | **1 564 606** |
| **Fair value of consideration paid** | | | |
| Issue of shares | 7 650 000 | 850 000 | 8 500 000 |
| Contingent consideration | 6 975 000 | 465 000 | 7 440 000 |
| | **14 625 000** | **1 315 000** | **15 940 000** |
| **Goodwill** | **13 681 190** | **694 204** | **14 375 394** |
| **Contingent consideration has been disclosed as follows:** | | | |
| Future shares to be issued | 7 500 000 | 500 000 | 8 000 000 |
| Fair value adjustment | (525 000) | (35 000) | (560 000) |

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

**30. Business combinations (continued)**

| | | Contineo | PerfectWorx | 2021 Total |
|---|---|---|---|---|
| **Fair value of contingent consideration at acquisition** | | **6 975 000** | **465 000** | **7 440 000** |
| Finance costs for the year | 22 | 337 500 | - | 337 500 |
| Investment income for the year | 21 | - | (15 000) | (15 000) |
| **Contingent consideration at 30 June 2021** | | **7 312 500** | **450 000** | **7 762 500** |
| Current | | 7 312 500 | - | 7 312 500 |
| Non-current | | - | 450 000 | 450 000 |
| | | **7 312 500** | **450 000** | **7 762 500** |

The fair value of the contingent consideration was determined using a discount rate of 10%.

**Receivables acquired**

The receivables acquired are stated at the contractual amounts and approximate fair value.

**Revenue and profit or loss**

Contineo Virtual Communications (Pty) Ltd.

Revenue of R 1 434 206 and loss after tax of R 90 190 of have been included in the Group's results since the date of acquisition. PerfectWorx Consulting (Pty) Ltd.

Revenue of R 915 005 and profit after tax of R 1 154 657 have been included in the Group's results since the date of acquisition.

**Acquisition of ConexLink (Pty) Ltd, renamed Ultra DataCentre (Pty) Ltd**

At the end of the 2020 financial year the Group held 25% of the share capital of ConexLink (Pty) Ltd. Effective 1 January 2021, the Group acquired a further 1% for consideration of R 53,000 and effective 1 April 2021, the Group acquired the remaining 74% of ConexLink's share capital for consideration of R 3 922 000. The company has since been renamed Ultra DataCentre (Pty) Ltd ("Ultra DC").

Ultra DC built and operates a data centre located outside of Pretoria. This data centre is a vendor and 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 specialises 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. The goodwill arises from the synergies, additional service offering to customers and capacity for growth. Strong synergies have developed between Ultra DC and the rest of the Group companies due to an emerging trend of co-location customers seeking turnkey managed offerings. Cross selling opportunities such as managed services and high capacity connectivity will contribute to significant growth trends.

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

## 30. Business combinations (continued)

| | 2021 |
|---|---|
| **Fair value of assets acquired and liabilities assumed** | |
| Property, plant and equipment | 150 255 |
| Right-of-use asset | 1 387 310 |
| Deferred tax asset | 511 614 |
| Inventories | 22 527 |
| Trade and other receivables | 2 724 243 |
| Cash and cash equivalents | 37 587 |
| Long term loans | (4 745 374) |
| Lease liabilities | (1 387 310) |
| Trade and other payables | (16 330) |
| | **(1 315 478)** |
| **Fair value of consideration paid** | |
| Cash paid in prior year | 25 |
| Cash paid in current year | 3 975 000 |
| | **3 975 025** |
| **Goodwill** | **5 290 503** |

**Receivables acquired**

The receivables acquired are stated at the contractual amounts and approximate fair value.

**Revenue and profit or loss**

External revenue of R 65 032 and contribution to profit after tax of R 713 520 have been included in the Group's results since the date of acquisition. Had the acquisition occurred at the beginning of the reporting year, the additional external revenue would have been R 161 226 and the additional contribution to profit after tax would have been R 390 791.

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

## 31. Related parties

**Relationships**

| | |
|---|---|
| Associates | ConexLink (Pty) Ltd - refer to note 7 |
| Members of key management | JM Voigt<br>JL Roos (appointed 1 November 2020)<br>JM Vosloo (resigned 31 October 2020) |
| Non-Executive Directors | DJ Bate<br>MG Erasmus (deceased 4 June 2021)<br>MB Pretorius<br>WF Steinberg<br>M Tappan |

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

| | |
|---|---|
| | Snowy Owl Properties 82 (Pty) Ltd |
| | TeleMasters (Pty) Ltd |
| MB Pretorius | Zero Plus Trading 194 (Pty) Ltd |
| JM Vosloo | JMV Business Solutions CC |
| A Voigt (spouse of a Director) | Level This CC |

| Figures in Rands | 2021 | 2020 |
|---|---|---|
| **Related party balances** | | |
| **Loan accounts owing by related parties** | | |
| Ultra DataCentre (Pty) Ltd (formerly ConexLink (Pty) Ltd) | - | 2 700 374 |
| **Related party transactions** | | |
| **Purchases from related parties** | | |
| Ultra DataCentre (Pty) Ltd (formerly ConexLink (Pty) Ltd) * | 1 583 892 | - |
| PerfectWorx Consulting (Pty) Ltd * | - | 3 391 092 |
| Contineo Virtual Communications (Pty) Ltd * | - | 8 446 548 |
| * became subsidiaries during the current year | | |
| **Rent paid to related parties** | | |
| Snowy Owl Properties 82 (Pty) Ltd | - | 1 596 710 |
| **Consulting fees paid to related parties** | | |
| Level This CC | 1 400 000 | - |
| JMV Business Solutions CC | 450 000 | 1 189 500 |
| Zero Plus Trading 194 (Pty) Ltd | 446 775 | 361 500 |
| **Compensation to other key management** | | |
| Short-term employee benefits | 2 386 446 | 1 415 242 |

The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions.

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

## 32. Directors' emoluments

**Executive**

**2021**

| | Emoluments |
|---|---|
| JL Roos | 494 500 |
| JM Voigt | 1 646 263 |
| JM Vosloo | 450 000 |
| | **2 590 763** |

**2020**

| | Emoluments |
|---|---|
| JM Voigt | 1 440 000 |
| JM Vosloo | 1 189 500 |
| | **2 629 500** |

**Non-executive**

**2021**

| | Director's fees |
|---|---|
| DJ Bate | 15 750 |
| MB Pretorius | 399 996 |
| WF Steinberg | 189 000 |
| M Tappan | 189 000 |
| MG Erasmus | 189 000 |
| | **982 746** |

**2020**

| | Director's fees |
|---|---|
| DJ Bate | 63 000 |
| MB Pretorius | 829 261 |
| WF Steinberg | 189 000 |
| M Tappan | 189 000 |
| MG Erasmus | 189 000 |
| | **1 459 261** |

## 33. Financial instruments and risk management

**Categories of financial instruments**

**Categories of financial assets**

| 2021 | Note(s) | Amortised cost | Fair value |
|---|---|---|---|
| Trade and other receivables | 11 | 4 587 954 | 4 587 954 |
| Cash and cash equivalents | 13 | 6 057 215 | 6 057 215 |
| | | **10 645 169** | **10 645 169** |

**2020**

| | Note(s) | Amortised cost | Fair value |
|---|---|---|---|
| Loans to associate | 8 | 2 700 374 | 2 700 374 |
| Trade and other receivables | 11 | 3 864 761 | 3 864 761 |
| Cash and cash equivalents | 13 | 16 191 004 | 16 191 004 |
| | | **22 756 139** | **22 756 139** |

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

**33. Financial instruments and risk management (continued)**

**Categories of financial liabilities**

**2021**

| | Note(s) | Fair value through profit or loss | Amortised cost | Leases | Total | Fair value |
|---|---|---|---|---|---|---|
| Trade and other payables | 16 | - | 2 938 776 | - | 2 938 776 | 2 938 776 |
| Lease liabilities | 4 | - | - | 17 072 679 | 17 072 679 | 17 072 679 |
| Dividend payable | | - | 896 452 | - | 896 452 | 896 452 |
| Contingent consideration | 30 | 7 762 500 | - | - | 7 762 500 | 7 762 500 |
| | | **7 762 500** | **3 835 228** | **17 072 679** | **28 670 407** | **28 670 407** |

**2020**

| | Note(s) | Amortised cost | Leases | Total | Fair value |
|---|---|---|---|---|---|
| Trade and other payables | 16 | 3 020 376 | - | 3 020 376 | 3 020 376 |
| Lease liabilities | 4 | - | 10 021 306 | 10 021 306 | 10 021 306 |
| Dividend payable | | 758 097 | - | 758 097 | 758 097 |
| | | **3 778 473** | **10 021 306** | **13 799 779** | **13 799 779** |

**Capital risk management**

The Group's capital structure consists of cash and cash equivalents 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, while 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:

- Loans to associate;
- Trade and other receivables;
- Cash and cash equivalents;
- Trade and other payables;
- Lease liabilities;
- Dividends payable; and
- Contingent consideration.

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

**33. Financial instruments and risk management (continued)**

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

The Directors are of the opinion that the carrying amount of all current financial assets and financial liabilities approximate their fair values due to the short-term maturities of these financial instruments. Remaining long term borrowings bear interest at market related interest rates which allow for the current carrying amount to be equivalent to its current fair value. The fair value of other financial liabilities and financial assets are determined in accordance with generally accepted pricing models comprising discounted cash flow analysis. Where the effects of discounting are immaterial, short term receivables and short term payables are measured at the original invoice amount.

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.

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 loans receivable (note 8), trade and other receivables (note 11) and cash and cash equivalents (note 13). The management of credit risk exposure is detailed in the individual notes.

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

| | | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|---|
| | | **Gross carrying amount** | **Credit loss allowance** | **Amortised cost** | **Gross carrying amount** | **Credit loss allowance** | **Amortised cost** |
| Loans to associate | 8 | - | - | - | 2 700 374 | - | 2 700 374 |
| Trade and other receivables | 11 | 8 295 687 | (3 707 733) | 4 587 954 | 5 240 041 | (1 375 280) | 3 864 761 |
| Cash and cash equivalents | 13 | 6 056 098 | - | 6 056 098 | 16 187 315 | - | 16 187 315 |
| | | **14 351 785** | **(3 707 733)** | **10 644 052** | **24 127 730** | **(1 375 280)** | **22 752 450** |

**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. 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.

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

**33. Financial instruments and risk management (continued)**

| 2021 | | Less than 1 year | 2 to 5 years | Total | Carrying amount |
|---|---|---|---|---|---|
| **Non-current liabilities** | | | | | |
| Lease liabilities | 4 | - | 12 618 291 | 12 618 291 | 12 523 492 |
| Contingent consideration | 30 | - | 500 000 | 500 000 | 450 000 |
| **Current liabilities** | | | | | |
| Trade and other payables | 16 | 2 938 776 | - | 2 938 776 | 2 938 776 |
| Lease liabilities | 4 | 6 744 392 | - | 6 744 392 | 4 549 187 |
| Dividend payable | | 896 452 | - | 896 452 | 896 452 |
| Contingent consideration | 30 | 7 500 000 | - | 7 500 000 | 7 312 500 |
| | | **18 079 620** | **13 118 291** | **31 197 911** | **28 670 407** |

| 2020 | | Less than 1 year | 2 to 5 years | Total | Carrying amount |
|---|---|---|---|---|---|
| **Non-current liabilities** | | | | | |
| Lease liabilities | 4 | - | 9 559 391 | 9 559 391 | 8 256 118 |
| **Current liabilities** | | | | | |
| Trade and other payables | 16 | 3 020 376 | - | 3 020 376 | 3 020 376 |
| Lease liabilities | 4 | 2 716 647 | - | 2 716 647 | 1 765 188 |
| Dividend payable | | 758 097 | - | 758 097 | 758 097 |
| | | **6 495 120** | **9 559 391** | **16 054 511** | **13 799 779** |

**Interest rate risk**

The Group has used a sensitivity analysis technique that measures the estimated change to the Statement of Comprehensive Income of an instantaneous increase or decrease in market interest rates on financial instruments from the applicable rate as at 30 June 2021 for each class of financial instrument with all other variables remaining constant. The calculations were done with reference to the outstanding financial liability and financial asset balances for the year. This represents no change from the prior period in the method and assumptions used. This analysis is for illustrative purposes only and represents management's best estimate.

Interest rate risk was not material to the Group at 30 June 2021 due to all borrowings being held at fixed interest rates. For the prior year if interest rates on borrowings had been 1% higher / lower with all other variables held constant, post-tax profit for the year would have been R 44 422 lower / higher mainly as a result of higher / lower interest expense on floating rate borrowings.

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

**34. Going concern**

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 borrowing facilities 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.

**35. Covid-19**

The continued shift in working behaviour as a result of the Covid-19 pandemic has had a negative impact on Group revenues. The effects of the pandemic are not, however, expected to have an impact on the Group as a going concern into the foreseeable future.

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

**36. 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 2021:

- As per the announcements published on SENS on 29 June 2020 and 13 July 2020, TeleMasters acquired the shares in and claims against Contineo Virtual Communications (Pty) Ltd from Messrs. Jaco Voigt ("Voigt") and Laurent Pieton ("Pieton") for a maximum purchase consideration of R 15 150 000 (fifteen million one hundred and fifty thousand Rand) with effect from 1 July 2020. Subsequent to year end and 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 aggregate of 5 259 670 new shares to Voigt (2 629 835 shares) and Pieton (2 629 835 shares) at an issue price of R 1.2275 per share in accordance with the earn-out calculation provided for in the Contineo Sale of Shares Agreement.
- Dividend number 53 of 1.60 cents per share was declared on 30 September 2021 and is payable to all Shareholders recorded in the share register of the Company at the close of business on 22 October 2021.

**37. Segment reporting**

The reportable segments reflect the operating model of the Group as of 1 July 2020 and is consistent with the way the business is managed and reported internally. The Group did not have any reportable operating segments for the year ended 30 June 2020. The change in the segmented reporting and management internally arose following the business combinations as outlined in note 30.

The Group's reporting segments for the year ended 30 June 2021 are: Catalytic; Contineo and PerfectWorx; Ultra DC and Corporate.

| | Catalytic | Contineo and PerfectWorx | Ultra DC | Corporate | Consolidation | Total |
|---|---|---|---|---|---|---|
| **Revenue^** | | | | | | |
| Revenue - external | 73 598 531 | 2 349 211 | 65 032 | - | - | 76 012 774 |
| Revenue - internal | 991 716 | 12 306 925 | 1 454 700 | 9 802 831 | (24 556 172) | - |
| | **74 590 247** | **14 656 136** | **1 519 732** | **9 802 831** | **(24 556 172)** | **76 012 774** |
| **EBITDA*** | **(894 116)** | **1 528 653** | **1 134 410** | **2 596 490** | **-** | **4 365 437** |
| Adjusted for: | | | | | | |
| Depreciation and amortisation | (2 568 978) | (282 779) | (110 233) | (5 944 614) | - | (8 906 604) |
| Investment income | 46 759 | - | - | 469 834 | 15 000 | 531 593 |
| Finance costs | (721 537) | (71 789) | (33 178) | (453 431) | (337 500) | (1 617 435) |
| **Net profit / (loss) before tax** | **(4 137 872)** | **1 174 085** | **990 999** | **(3 331 721)** | **(322 500)** | **(5 627 009)** |
| **Total assets** | **24 867 756** | **4 266 487** | **1 779 708** | **36 959 301** | **(4 165 849)** | **63 707 403** |
| **Total liabilities** | **20 874 752** | **1 453 373** | **2 381 667** | **9 221 266** | **(3 975 087)** | **29 955 971** |

** Earnings before interest, tax, depreciation and amortisation*

*^ Refer to note 18 for disaggregation of revenue.*

No single customer comprises more than 10% of the Group's revenues. There are no non-current assets belonging to the Group that are domiciled outside of South Africa. There is no revenue from foreign countries.

# CONTENTS

# SHAREHOLDERS INFORMATION

## SHAREHOLDERS DIARY

| | |
|---|---|
| ANNUAL REPORT APPROVED | **22 October 2021** |
| ANNUAL REPORT DISPATCHED | **29 October 2021** |
| ANNUAL GENERAL MEETING | **10 December 2021** |

# NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given:

That the Annual General Meeting of Shareholders of the Company will be held at the office of Catalytic, Maxwell Office Park, Magwa Crescent, Waterfall City, Johannesburg, at 09:30 on 10 December 2021. The record date on which Shareholders must be recorded as such in the register maintained by the transfer secretaries of the Company for purposes of determining which Shareholders are entitled to attend and vote at the Annual General Meeting (AGM) is Friday, 26 November 2021. The last day to trade in order to be eligible to vote at the AGM will accordingly be Tuesday, 23 November 2021. The purpose of the meeting is to consider, and if deemed fit, to pass, with or without non-material modifications the following resolutions:

1. **Ordinary resolution number 1 – Consolidated Annual Financial Statements**

   "RESOLVED THAT the Consolidated Annual Financial Statements of the Group for the year ended 30 June 2021, together with the Directors' and Auditor's reports thereon, be and are hereby received, considered and adopted."

   In order for this ordinary resolution to be adopted, the support of more than 50% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution is required.

2. **Ordinary resolution number 2 – Director retirement and re-election**

   "RESOLVED THAT Mr WF Steinberg, who retires in accordance with the provisions of the Company's Memorandum of Incorporation but, being eligible, offers himself for re-election, be and is hereby re-elected as a Director of the Company."

   A curriculum vitae for Mr WF Steinberg is set out under Directors' Profiles.

   In order for this ordinary resolution to be adopted, the support of more than 50% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution is required.

3. **Ordinary resolution number 3 – Director retirement and re-election**

   "RESOLVED THAT Mrs M Tappan, who retires in accordance with the provisions of the Company's Memorandum of Incorporation but, being eligible, offers herself for re-election, be and is hereby re-elected as a Director of the Company."

   A curriculum vitae for Mrs M Tappan is set out under Director's Profiles.

   In order for this ordinary resolution to be adopted, the support of more than 50% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution is required.

4. **Ordinary resolution number 4 – Directors' remuneration**

   "RESOLVED THAT the remuneration paid to Executive And Non-Executive Directors for the financial year ending 30 June 2021 as disclosed in Note 31 of the Consolidated Annual Financial Statements be and is hereby approved."

   In order for this ordinary resolution to be adopted, the support of more than 50% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution is required.

5. **Ordinary resolution number 5 – Appointment of auditors and remuneration**

   "RESOLVED THAT the re-appointment of Nexia SAB&T as the auditors, with Mr Johandre Engelbrecht as the designated auditor, be and is hereby approved and that the Audit Committee be and is hereby authorised to determine the remuneration of the auditors."

   In order for this ordinary resolution to be adopted, the support of more than 50% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution is required.

# NOTICE OF THE ANNUAL GENERAL MEETING (Continued)

6. **Ordinary resolution number 6 – Placing un-issued shares under the control of the Directors**

"RESOLVED THAT the authorised but unissued ordinary shares in the capital of the Company be placed under the control of the Directors of the Company until the next AGM of the Company and that the Directors be and are hereby authorised and empowered to allot, issue and otherwise dispose of such shares, on such terms and conditions and at such times as the Directors in their discretion deem fit, subject to the Companies Act, the Memorandum of Incorporation and the JSE Listings Requirements."

In order for this ordinary resolution to be adopted, the support of more than 50% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution is required.

7. **Ordinary resolution number 7 – General authority to allot and issue shares for cash**

"RESOLVED THAT, subject to the approval of at least at least 75% of the members present in person and by proxy and entitled to vote at the meeting, the Directors of the Company be and are hereby authorised, by way of general authority, to allot and issue all or any of the authorised but unissued shares in the capital of the Company as they in their discretion deem fit, subject to the following limitations:

- The shares which are the subject of the issue for cash must be of a class already in issue or, where this is not the case, must be limited to such equity securities or rights that are convertible into a class already in issue;
- This authority shall not endure beyond the next Annual General Meeting of the Company nor shall it endure beyond 15 months from the date of this meeting, whichever comes soonest;
- There will be no restrictions in regard to the persons to whom the shares may be issued provided that such shares are to be issued to public Shareholders (as defined by the JSE Listings Requirements) and not to related parties;
- Upon any issue of shares which, together with prior issues during any financial year, will constitute 5% or more of the number of shares of the class in issue, the Company shall, by way of an announcement on Stock Exchange News Service (SENS), give full details thereof, including the effect on the net asset value of the Company and earnings per share;
- The number of ordinary shares that may be issued shall not in the current financial year, in aggregate, exceed 27 373 351 (twenty five million two hundred and fifty thousand) shares (including any shares which are compulsorily convertible into ordinary shares), being 50% of the Company's issued ordinary shares at the date of this notice of Annual General Meeting; and
- The maximum discount at which shares may be issued is 10% of the weighted average traded price of the Company's shares over the 30 business days prior to the date that the price of the issue is determined or agreed by the Directors of the applicant."

In order for this ordinary resolution to be adopted, the support of at least 75% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution is required.

8. **Ordinary resolution number 8 – Authority to execute requisite documentation**

"RESOLVED THAT any Director of the Company or the Company Secretary be and hereby is authorised to do all such things and sign all such documents issued by the Company and required to give effect to the special resolutions and ordinary resolutions passed at the AGM."

In order for this ordinary resolution to be adopted, the support of more than 50% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution is required.

9. **Ordinary resolution number 9 – Approval of dividends declared and paid**

"RESOLVED THAT the dividends as disclosed in note 27 of the Consolidated Annual Financial Statements, totaling 6.4 cents per share declared and paid by the Directors for the financial year ending 30 June 2021 be and are hereby approved."

In order for this ordinary resolution to be adopted, the support of more than 50% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution is required.

# NOTICE OF THE ANNUAL GENERAL MEETING (Continued)

**10. Ordinary resolution number 10 – Appointment of Dr David Bate as member and Chair of the Audit and Risk Committee**

"RESOLVED THAT, Dr David Bate be and is hereby appointed as a member and Chair of the Audit and Risk Committee of the Company for the forthcoming year ending 30 June 2022 and until the next AGM be and is hereby approved."

In order for this ordinary resolution to be adopted, the support of more than 50% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution is required.

**11. Ordinary resolution number 11 – Appointment of Ms M Tappan as member of the Audit and Risk Committee**

"RESOLVED THAT Ms M Tappan be and is hereby appointed as a member of the Audit and Risk Committee of the Company for the forthcoming year ending 30 June 2022 and until the next AGM."

In order for this ordinary resolution to be adopted, the support of more than 50% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution is required.

**12. Ordinary resolution number 12 – Appointment of Mr WF Steinberg as member of the Audit and Risk Committee**

"RESOLVED THAT Mr WF Steinberg be and is hereby appointed as a member of the Audit and Risk Committee of the Company for the forthcoming year ending 30 June 2022 and until the next AGM be and is hereby approved."

In order for this ordinary resolution to be adopted, the support of more than 50% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution is required.

**13. Ordinary resolution number 13 – Approval of Company Secretary**

"RESOLVED THAT, Ms S Ramirez-Victor be and is hereby appointed as Company Secretary."

In order for this ordinary resolution to be adopted, the support of more than 50% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution is required.

**14. Non-binding advisory resolution number 1 - Approval of Remuneration Policy**

"RESOLVED THAT the Remuneration Policy as determined and implemented by the Remuneration Committee from time to time is hereby endorsed by way of a non-binding advisory vote."

Motivation for the advisory endorsement:

A summary of which is included in the Integrated Annual Report under the Remuneration Committee section included in the Corporate Governance report. In terms of King IV and the JSE Listing Requirements, an advisory vote should be obtained from Shareholders on the implementation report of the Company's remuneration policy. The vote allows Shareholders to express their views on the remuneration policy adopted, but will not be binding on the Company.

In order for this ordinary resolution to be adopted, the support of more than 50% of the voting rights exercised on the resolution by

Shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution is required.

**15. Non-binding advisory resolution number 2 – Approval of implementation report**

"RESOLVED by way of a separate non-binding advisory vote that the implementation of the Company's remuneration policy (excluding the remuneration of non-executive Directors for their services as Directors and members of Board Committees and the Audit and Risk Committee) as set out in the Consolidated Annual Financial statements for the year ended 30 June 2021 be and is hereby endorsed."

Motivation for the advisory endorsement:

In terms of King IV and the Listing Requirements, an advisory vote should be obtained from Shareholders on the implementation report of the Company's remuneration policy. The vote allows Shareholders to express their views on the extent of implementation of the Company's remuneration policy, but will not be binding on the Company.

In order for this ordinary resolution to be adopted, the support of more than 50% of the voting rights exercised on the resolution by

Shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution is required.

# NOTICE OF THE ANNUAL GENERAL MEETING (Continued)

**16. Special resolution number 1 – Non-Executive Directors' remuneration**

"RESOLVED THAT the Non-Executive Directors' remuneration for the year commencing 1 July 2021, which shall not exceed the amounts detailed below, excluding VAT, be and is hereby approved."

| | Amount per annum |
|---|---|
| Dr DJ Bate | R450 000 |
| Mr WF Steinberg | R450 000 |
| Mrs M Tappan | R450 000 |
| Mr MB Pretorius | R1 200 000 |

For the period 1 - 31 July 2021, Dr Bate will not be earning any Director's fees as he is serving articles and cannot be paid a Director's remuneration.

Shareholders are required to approve the remuneration of non-executive Directors. This special resolution requires a vote of at least 75% of Shareholders present and eligible to vote at the general meeting in terms of Section 66(9) of the Act.

**17. Special resolution number 2 – General authority to enter into funding agreements, provide loans or other financial assistance**

"RESOLVED THAT, in terms of Section 44 and 45 of the Act, the Company be and is hereby granted approval to enter into direct or indirect funding agreements or guarantee a loan or other obligation, secure any debt or obligation or to provide loans or financial assistance between subsidiaries or between itself and its Directors, prescribed officers, subsidiaries or any related or interrelated persons from time to time, subject to the provisions of the JSE Listings Requirements, and as the Directors in their discretion deem fit. Loans to the value not exceeding twenty million Rand are hereby approved between the Company and its' related or inter-related parties."

Reason and effect of special resolution number 2:

The purpose of this resolution is to enable the Company to enter into funding arrangements with its Directors, prescribed officers, subsidiaries and their related and interrelated persons and to allow inter Group loans between subsidiaries. This special resolution requires a vote of at least 75% of Shareholders eligible to vote at the general meeting in terms of Section 66(9) of the Act.

**18. Special resolution number 3 - General authority to repurchase shares in terms of section 48 of the Companies Act**

"Resolved that the Board of Directors of the Company is hereby authorised, by way of a renewable general authority, to approve the purchase of its own ordinary shares by the Company, or to approve the purchase of ordinary shares in the Company by any subsidiary of the Company, upon such terms and conditions as the Board of Directors of the Company may from time to time determine, provided that:

- The general repurchase of ordinary shares in the aggregate in any one financial year by the Company does not exceed 5% (five percent) of the Company's issued ordinary share capital as at the beginning of the financial year;
- The general repurchase of securities will be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty (reported trades are prohibited);
- Authorisation thereto has been given by the Company's MOI;

# NOTICE OF THE ANNUAL GENERAL MEETING (Continued)

- This general authority shall only be valid until the Company's next Annual General Meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this Special Resolution;
- General repurchases may not be made at a price greater than 10% (ten percent) above the weighted average of the market value for the securities for the five business days immediately preceding the date on which the transaction is effected (the JSE should be consulted for a ruling if the applicant's securities have not traded in such five business day period);
- At any point in time, the Company may only appoint one agent to effect any repurchases on the Company's behalf;
- A resolution has been passed by the Board of Directors confirming that the Board has authorised the general repurchase, that the Company passed the solvency and liquidity test and that, since the test was done, there have been no material changes to the financial position of the Group;
- Any such general repurchase will be subject to the applicable provisions of the Companies Act (including sections 114 and 115 to the extent that section 48(8) is applicable in relation to that particular repurchase);
- Any such general repurchases are subject to exchange control regulations and approval at that point in time;
- The number of shares purchased and held by a subsidiary or subsidiaries of the Company shall not exceed 10% (ten percent) in aggregate of the number of issued shares in the Company at the relevant times;
- The Company or its subsidiary may not repurchase securities during a prohibited period as defined in the JSE Listings Requirements unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and have been submitted to the JSE in writing prior to the commencement of the prohibited period; and
- When the Company has cumulatively repurchased 3% (three percent) of the initial number of the relevant class of securities, and for each 3% (three percent) in aggregate of the initial number of that class acquired thereafter, an announcement will be made in accordance with paragraph 11.27 of the JSE Listings Requirements."

Reason and effect of special resolution number 3:

Special resolution number 3 is proposed to provide a general approval and authority in terms of section 5.72 of the JSE Listing Requirements for the acquisition by the Company and / or its subsidiaries of securities (as that term is defined in the Companies Act), issued by the Company.

The Board's intention in proposing special resolution number 3 is to enable the Company and its subsidiaries, subject to the requirements of the Companies Act, JSE Listings Requirements and the Company's MOI, to acquire (repurchase) ordinary shares issued by the Company should the Board consider that it would be in the interest of the Company and / or its subsidiaries to do so.

In order for this resolution to be adopted, the support of at least 75% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution is required.

# NOTICE OF THE ANNUAL GENERAL MEETING (Continued)

**Disclosures in regard to other JSE Listings Requirements applying to special resolution and applying to special resolution number 3:**

The JSE Listings Requirements prescribe certain disclosures which are disclosed in the Consolidated Annual Financial Statements and the Integrated Annual Report as set out below:

- Major Shareholders of the Company are set out on in Note 14 on page 81 of the Integrated Annual Report;
- The share capital of the Company is set out in Note 13 on page 81 of the Integrated Annual Report;
- There has been no material change in the financial or trading position of the Company and its subsidiaries since the date of publication of the Company's approved results on 27 September 2021; and
- The Directors of the Company will not effect a general repurchase of ordinary shares as contemplated above unless, in addition to complying with the requirements of the Companies Act, the following conditions as contemplated by the JSE Listings Requirements are met:
- The Company and the Group are in a position to repay their debt in the ordinary course of business for a period of 12 months after the date of the notice of the Annual General Meeting;
- The Company's and the Group's assets at fair value will be in excess of the liabilities of the Company and the Group for a period of 12 months after the date of the notice of the AGM. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest Consolidated Annual Financial Statements, which comply with the Companies Act;
- The share capital and reserves of the Company and the Group are adequate for a period of 12 months following the date of the notice of the AGM; and
- The available working capital of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the AGM.

**Directors' responsibility statement**

The Directors, whose names appear on page 44, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution 3 and certify that, to the best of their knowledge and belief, no facts have been omitted that would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that this resolution and additional disclosures in terms of section 11.26 of the JSE Listings Requirements pertaining thereto contain all such information required by law and the JSE Listings Requirements.

# ELECTRONIC PARTICIPATION

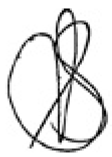
In terms of section 61(10) of the Companies Act, 71 of 2008, as amended, every Shareholders' meeting of a public Company must be reasonably accessible within South Africa for electronic participation by Shareholders. Shareholders wishing to participate electronically in the AGM are required to deliver written notice to the Transfer Secretaries, JSE Investor Services (Pty) Limited, 13th Floor, 19 Ameshoff Street, Braamfontein, 2017 by no later than 09h30 on 8 December 2021 that they wish to participate via electronic communication at the AGM (the "Electronic Notice").

In order for the Electronic Notice to be valid it must contain:

- If the Shareholder is an individual, a certified copy of their identity document and / or passport;
- If the Shareholder is not an individual, a certified copy of a resolution by the relevant entity and a certified copy of the identity documents and / or passports of the persons who passed the relevant resolution. The relevant resolution must set out whom from the relevant entity is authorised to represent the relevant entity at the Annual General Meeting via electronic communication;
- A valid e-mail address and / or facsimile number (the "contact address / number"); and
- If the Shareholder wishes to vote via electronic communication, set out that the Shareholder wishes to vote via electronic communication. By no later than 24 (twenty four) hours before the commencement of the AGM, the Company shall use its reasonable endeavors to notify a Shareholder at their contact address / number who has delivered a valid Electronic Notice of the relevant details through which the Shareholder can participate via electronic communication.

A form of proxy which sets out the relevant instructions for use is attached for those members who wish to be represented at the Annual General Meeting of members. Duly completed forms of proxy must be lodged with the transfer secretaries, JSE Investor Services (Pty) Limited, 13th Floor, 19 Ameshoff Street, Braamfontein, 2017 by no later than 09h30 on 8 December 2021.

**By order of the Board**



**Ramirez-Victor, Sascha**
Company Secretary

Building 2 ATT House, Ground Floor
Maxwell Office Park, Magwa Crescent,
Waterfall City

# FORM OF PROXY

For use by certificated and "own name" registered dematerialised Shareholders of the Company ("Shareholders") at the Annual General Meeting of Shareholders of the Company to be held in Maxwell Office Park, Maxwell Office Park, Magwa Crescent, Waterfall City, Johannesburg, at 09h30 on 10 December 2021 ("the Annual General Meeting") and at any adjournment thereof.

I/We (please print) ______________________________

of (address) ______________________________

being the holder of ______________ ordinary shares in the Company, hereby appoint

1. ______________________________ or failing him/her,

2. ______________________________ or failing him/her,

the chairman of the Annual General Meeting

as my / our proxy to act for me/us and on my / our behalf at the Annual General Meeting which will be held for the purpose of considering and, if deemed fit, passing, with or without non-material modification, the resolutions to be proposed thereat and at any adjournment thereof and to vote for and/or against the resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name/s, in accordance with the following instructions:

| Number of votes (one vote per share) | For | Against | Abstain |
|---|---|---|---|
| Ordinary resolution number 1 – Adoption of Consolidated Annual Financial Statements | | | |
| Ordinary resolution number 2 – Director retirement and re-election – WF Steinberg | | | |
| Ordinary resolution number 3 – Director retirement and re-election – M Tappan | | | |
| Ordinary resolution number 4 – Directors' remuneration | | | |
| Ordinary resolution number 5 – Appointment of auditors and remuneration | | | |
| Ordinary resolution number 6 – Placing un-issued shares under control of Directors | | | |
| Ordinary resolution number 7 – General authority to allot and issue shares for cash | | | |
| Ordinary resolution number 8 – Authority to execute requisite documentation | | | |
| Ordinary resolution number 9 – Approval of dividends declared and paid | | | |
| Ordinary resolution number 10 – Appointment of Dr David Bate as member and Chair of Audit and Risk Committee | | | |
| Ordinary resolution number 11 – Appointment of M Tappan as member of Audit and Risk Committee | | | |

# FORM OF PROXY (CONTINUED)

| Number of votes (one vote per share) | For | Against | Abstain |
|---|---|---|---|
| Ordinary resolution number 12 –<br>Appointment of WF Steinberg as member of Audit and Risk Committee | | | |
| Ordinary resolution number 13 –<br>Approval of Company Secretary | | | |
| Non-binding advisory resolution number 1 -<br>Approval of Remuneration Policy | | | |
| Non-binding advisory resolution number 2 -<br>Approval of Implementation report | | | |
| Special resolution number 1 –<br>Non-executive Directors' remuneration | | | |
| Special resolution number 2 –<br>General authority to enter into funding agreements,<br>Provide loans or other financial assistance | | | |
| Special resolution number 3 –<br>General authority to repurchase shares | | | |

Signed at on 2021

Signature

Assisted by me (where applicable)

Name Capacity Signature

(Please print in BLOCK LETTERS)

Certificated Shareholders and dematerialised Shareholders with "own name" registration

If you are unable to attend the Annual General Meeting of Shareholders to be held at 09h30 on 10 December 2021 in Maxwell Office Park, Magwa Crescent, Waterfall City, Johannesburg, and wish to be represented thereat, you should complete and return the attached form of proxy in accordance with the instructions contained therein and lodge it with, or post it to, the transfer secretaries, JSE Investor Services (Pty) Limited, 13th Floor, 19 Ameshoff Street, Braamfontein, 2017 to be received by them by no later than 09h30 on 8 December 2021 or thereafter hand it to the Company or the Chairman of the meeting prior to the commencement of the meeting on 10 December 2021.

# NOTES TO THE PROXY FORM

***Dematerialised Shareholders other than those with "own name" registration***

If you hold dematerialised shares through a CSDP or broker other than with an "own name" registration, you must timeously advise your CSDP or broker of your intention to attend and vote at the Annual General Meeting in order for your CSDP or broker to provide you with the necessary authorisation to do so or, should you not wish to attend the Annual General Meeting in person, you must timeously provide your CSDP or broker with your voting instruction in order for the CSDP or broker to vote in accordance with your instruction at the Annual General Meeting.

- Each member is entitled to appoint one or more proxies (who need not be members of the Company) to attend, speak and, on a poll, vote in place of that member at the Annual General Meeting;
- A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space provided, with or without deleting "the chairman of the Annual General Meeting". The person whose name stands first on the form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow;
- A member's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that member in the appropriate box/es provided. Failure to comply with the above will be deemed to authorise the chairperson of the Annual General Meeting, if he/her is the authorised proxy, to vote in favour of the resolutions at the Annual General Meeting, or any other proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit, in respect of all the member's votes exercisable thereat;
- A member or their proxy is not obliged to vote in respect of all the ordinary shares held or represented by them but the total number of votes for or against the resolutions and in respect of which any abstention is recorded may not exceed the total number of votes to which the member holder or their proxy is entitled;
- Forms of proxy must be lodged with the transfer secretaries of the Company by no later than 09h30 on 8 December 2021 or thereafter hand it to the Company or the Chairman of the meeting prior to the commencement of the meeting on 10 December 2021;
- The completion and lodging of this form of proxy will not preclude the relevant member from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such member wish to do so;
- Any alterations or corrections to this form of proxy must be initialled by the signatory/ies;
- Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Company's transfer office or waived by the chairperson of the Annual General Meeting; and
- The chairperson of the Annual General Meeting may reject or accept any proxy form which is completed and/or received other than in accordance with these instructions and notes, provided that he is satisfied as to the manner in which a member wishes to vote.

# SUMMARY OF RIGHTS

Summary of rights established by section 58 of the Companies Act, 71 of 2008 ("Companies Act"), as required in terms of subsection 58(8)(b)(i):

1. A Shareholder may at any time appoint any individual, including a non-Shareholder of the Company, as a proxy to participate in, speak and vote at a Shareholders' meeting on his or her behalf (section 58(1)(a)), or to give or withhold consent on behalf of the Shareholder to a decision in terms of section 60 (Shareholders acting other than at a meeting) (section 58(1)(b));
2. A proxy appointment must be in writing, dated and signed by the Shareholder, and remains valid for one year after the date on which it was signed or any longer or shorter period expressly set out in the appointment, unless it is revoked or expires earlier (section 58(2));
3. A Shareholder may appoint two or more persons concurrently as proxies and may appoint more than one proxy to exercise voting rights attached to different securities held by the Shareholder (section 58(3)(a));
4. A proxy may delegate his or her authority to act on behalf of the Shareholder to another person, subject to any restriction set out in the instrument appointing the proxy ("proxy instrument")(section 58(3)(b));
5. A copy of the proxy instrument must be delivered to the Company, or to any other person acting on behalf of the Company, before the proxy exercises any rights of the Shareholders Company, at a Shareholders' meeting (section 58(3)(c)) and in terms of the memorandum of incorporation ("MOI") of the Company at least 48 hours before the meeting commences;
6. Irrespective of the form of instrument used to appoint a proxy: the appointment is suspended at any time and to the extent that the Shareholder chooses to act directly and in person in the exercise of any rights as a Shareholder (section 58)4)(a)); the appointment is revocable unless the proxy appointment expressly states otherwise (section 58(4)(b)); and if the appointment is revocable, a Shareholder may revoke the proxy appointment by cancelling it in writing or by making a later, inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the Company (section 58(4)(c));
7. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the Shareholder as of the later of the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered as contemplated in paragraph 6.3 above (section 58(5));
8. If the proxy instrument has been delivered to a Company, as long as that appointment remains in effect, any notice required by the Companies Act or the Company's MOI to be delivered by the Company to the Shareholder must be delivered by the Company to the Shareholder (section 58(6)(a ), or the proxy or proxies, if the Shareholder has directed the Company to do so in writing and paid any reasonable fee charged by the Company for doing so (section 58(6)(b));
9. A proxy is entitled to exercise, or abstain from exercising, any voting right of the Shareholder without direction, except to the extent that the MOI or proxy instrument provides otherwise (section 58(7)); and
10. If a Company issues an invitation to Shareholders to appoint one or more persons named by the Company as a proxy, or supplies a form of proxy instrument: the invitation must be sent to every Shareholder entitled to notice of the meeting at which the proxy is intended to be exercised (section 58(8)(a)); the invitation or form of proxy instrument supplied by the Company must:
    - 10.1. Bear a reasonably prominent summary of the rights established in section 58 of the Companies Act (section 58(8)(b) (i));
    - 10.2. Contain adequate blank space, immediately preceding the name(s) of any person(s) named in;
    - 10.3. It, to enable a Shareholder to write the name, and if desired, an alternative name of a proxy chosen by the Shareholder (section 58(8)(b)(ii));
    - 10.4. Provide adequate space for the Shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution(s) to be put at the meeting, or is to abstain from voting (section 58(8)(b)(iii)); the Company must not require that the proxy appointment be made irrevocable (section 58(8)(c)); and the proxy appointment remains valid only until the end of the meeting at which it was; and
    - 10.5. Intended to be used, subject to paragraph 7 above (section 58(8)(d)).

Tell: 087 945 0000
E-mail: Shareholders@masters.co.za
Web: www.telemasters.co.za

Address:
Building 2 ATT House,
Ground Floor, Maxwell Office Park,
Magwa Crescent West, Waterfall City,
South Africa

TELE MASTERS HOLDINGS