TELE MASTERS HOLDINGS

INTEGRATED ANNUAL REPORT 2020

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HIGHLIGHTS

4% △ INCREASE in earnings per share to **2,59 cents** from **2,48 cents** in prior year

14,80% ▽ **reduction** in **operating expenses** adjusted to exclude benefit of once-off settlement

7,60 cents Per share dividend declared in the financial year

Shift to cloud-based services and **diversification of routes to market** yielding results

Gross profit margin △ INCREASE to **39,58%** from **36,51%** in prior year

24,66% △ INCREASE IN cash and cash equivalents on hand

1,60 cents per share dividend declared and payable on **26 October 2020**

Acquisition of 25% of ConexLink successfully made in the financial year

Acquisitions of **100%** of **Contineo** and **PerfectWorx** successfully implemented after the financial year

Rebranding of **principal operating subsidiary as Catalytic** Connections completed in the financial year

Covid-19 has not had a significant impact on the Group and is not expected to impact on the Group as a going concern in the foreseeable future

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 new 'gig' economy. Our vision is to create and accelerate shareholders value through responsible growth, acquisitions and investments.

The Group consists of the following entities:

catalytic

CONTINEO VIRTUAL COMMUNICATIONS

perfectworx CONSULTING

ConexLink

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 telecoms serve only one purpose, To Connect! So, we are actually in the business of connecting humans.

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

It's never actually been about technology. It's always been and still is about people. And that goes for telecoms too.

Our **Vision** will always be that of collaborating with business to ensure valued congruence of telecom solutions. Customers typically choose and stay with us because we become trusted advisors of choice for all technology related requirements.

Our **Mission** is to cultivate professional relationships with our customers to provide effective and reliable information technology solutions for their needs. Our business experience makes us uniquely positioned to offer solutions promising greater operational efficiency, productivity gains and cost savings, regardless of the industry.

CONTINEO
VIRTUAL COMMUNICATIONS

The days of choosing a “reliable” technology vendor and then adapting your business around system capabilities are over. Technology 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 communications technology that enhance productivity and serve the demands of business by enabling faster and seamless communications.

perfectworx CONSULTING

CONSULT, ENGINEER, EXECUTE.

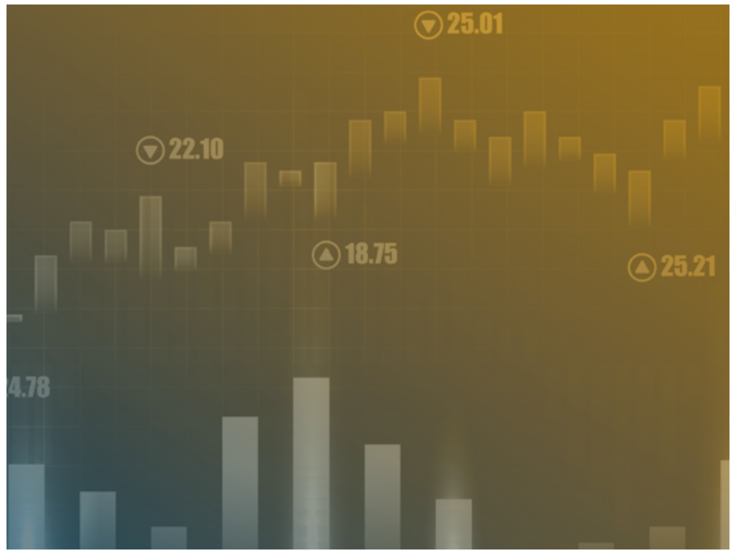
At PerfectWorx, we believe that technology decisions should be driven by business requirements. We endeavor to completely understand our customers’ business requirements and deliver technology that will work for them.

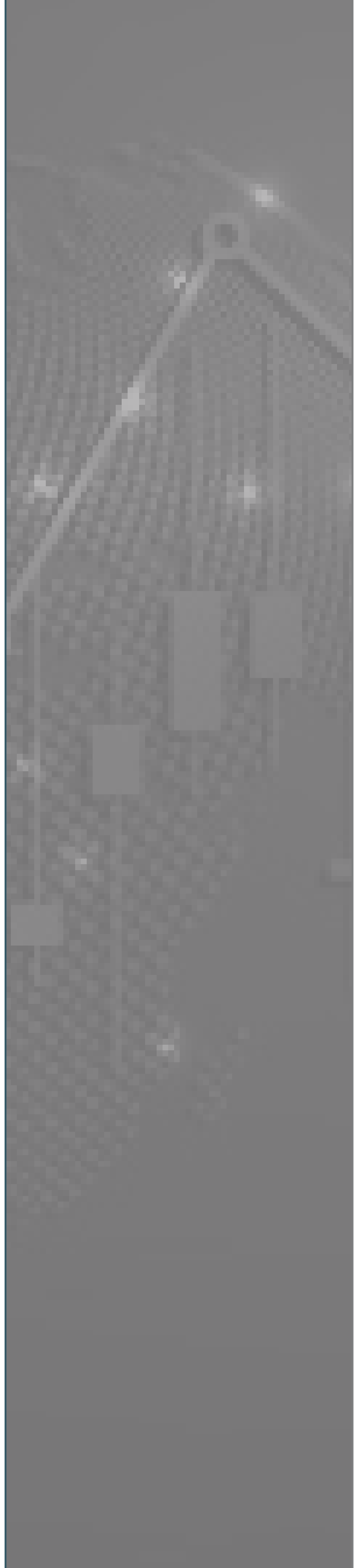
We deliver complete technical solutions to our customers to maximize the value, efficiency and performance of their network assets.

SHAPING YOUR DIGITAL FUTURE

ConexLink is a specialist in the ownership, operation and management of data centre environments, from micro data centres to larger high power density environments. ConexLink builds its facilities to exceed the usual industry norms and standards. We believe that the environment should be flexible enough to handle the most demanding customer requirements.

ConexLink provides a hybrid data environment accommodating carrier neutral managed co-location services.





CEO AND CHAIRMAN'S STATEMENT

Pretorius, Mario Brönn
Chairman

Voigt, Jaco-Muller
Chief Executive Officer

During the past year, our vision to establish TeleMasters Holdings Limited as a technology focused investment Company has started taking shape.

Due to the worldwide Covid pandemic, 2020 has been full of surprises, hardship and opportunities. With lockdown's implemented all over the world, much of the technology in our stable has become sought after and critical for businesses to keep working. While nothing happens overnight, the digital transformation priority has certainly moved up on most businesses' agenda – this bodes well for the future and focus of the companies within the Group.

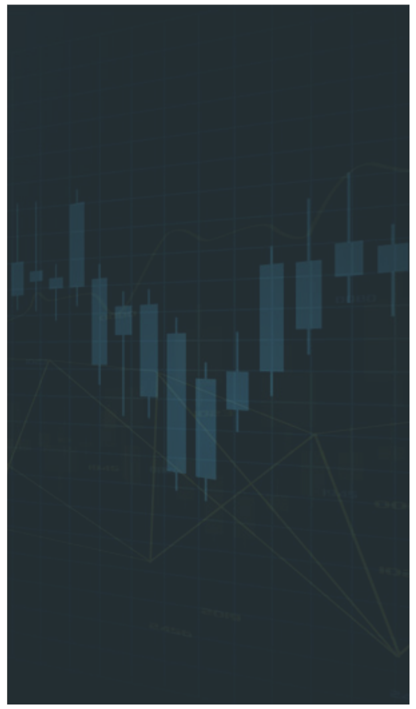
Following on the Catalytic launch, TeleMasters Holdings made the following strategic acquisitions in the second half of 2020:

- Contineo Virtual Communications – 100% of shareholding
- ConexLink – 25% of shareholding
- PerfectWorx Consulting – 100% of shareholding

Operating Divisions

Catalytic Connections

As part of the strategy our new operational service provider brand, Catalytic, was launched with great success. The launch of the Catalytic brand enabled us to shift our focus from mainly voice communications to a more well-rounded and comprehensive digital services provider. Within Catalytic, our single-minded focus remains to accommodate corporate customers on their digital transformation journey as a trusted advisor. We aim to work with our customers to enable them to optimize productivity within their organizations and to maximize Return on Investment in their digital investments.



CEO AND CHAIRMAN'S STATEMENT (CONTINUED)

Contineo Virtual Communications

The subsidiary operates a Next Generation Unified Communications platform based on Cisco Broadsoft technology. The offering enables customers to migrate all of their voice and UC traffic into the cloud – while having the comfort that everything is hosted locally on a Protection of Personal Information (POPI) Act compliant, secure platform. The platform is marketed on a wholesale basis, which means any service provider in South Africa can access the technology and offering.

ConexLink

The company operates an ultra-secure disaster recovery data centre (DC) in Gauteng. The facility showcases a number of unique DC features, such as smart rack infrastructure, super secure environment and connectivity vendor redundancy, that can be implemented between Ultra DC and a main POP. The DC market is poised for high growth worldwide, and we believe that Ultra DC is well positioned for uptake in the South African market where POPI Act compliance and data sovereignty is set to take centre stage in months to come.

PerfectWorx

The subsidiary is a niche networking systems integrator specializing in next generation IP technologies. PerfectWorx consults on network requirements, supplies technology to build networks and will also build and operate networks for / with customers.

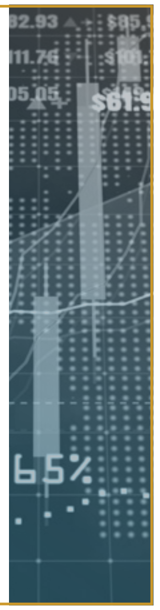
All of our acquisition targets have been carefully selected to contribute to the Group strategy, both from a technology and revenue perspective.

catalytic

CONTINEO
VIRTUAL COMMUNICATIONS

perfectworx
CONSULTING

ConexLink



Business Performance

A key goal for the Group is to position subscription-based services to our customer base. There is currently a huge effort underway to restructure our services to our historical customers into subscription-based annuity offerings. This strategy underpins one of our key goals: to help customers achieve a proper ROI on their technology infrastructure.

The gross profit percentage increased to 39,58% compared with 36,51% in the prior year. A settlement was reached with Huge Group Limited (Huge) in respect of a long-standing dispute. This had a once-off positive earnings and cash flow impact of R1,72 million. The Group managed to reduce operating expenditures by 14,80% which excludes the settlement amount with Huge. A loss on disposal of financial assets amounting to R2,01 million relates to a short-term investment in a unit trust for high yield bond funds which was invested in and disposed of in the financial year. The operating results benefited from a positive tax charge of R352 thousand relating to assessed losses in one of the operating subsidiaries. This resulted in a profit for the period of R1,09 million compared to R1,04 million for the comparative period. The earnings per share increased from 2,48 cents per share to 2,59 cents, an increase of 4%.

While profits are impacted by substantial amounts in respect of non-cash flow expenses like depreciation and amortisation, the Group continued to generate strong operating cash flows. Prepayments decreased to R1,66 million from R5,14 million for the prior year as the Group no longer pays term dealer commissions upfront for signed agreements. The increase in trade and other payables is attributable to a focus on working capital management as well as the dividend declared in June 2020. Cash and cash equivalents at the end of the period increased from a positive R12,99 million in the comparative period to a positive R16,19 million. Cash was used to repay lease liabilities of R767 thousand and to acquire additional assets to the amount of R3,78 million for expansion of new services to customers. These new assets are expected to generate additional revenue in subsequent periods and bode well for future operations of the Group. A loan of R2,7 million was provided to ConexLink to complete the launch of its data centre. Positive cash generation remains a key component of our business focus and is a result of our focus on building an annuity-based business model.

The current working capital ratio is 3,16 to 1 thus reflecting a positive working capital position. The non-current assets are R25,56 million compared with non-current liabilities of only R8,26 million.

The net asset value has decreased from 83,48 cents per share to 78,47 cents per share. This position was influenced by dividends of 7,60 cents per share which were declared and 6,00 cents per share which were paid during the period.

CEO AND CHAIRMAN'S STATEMENT (CONTINUED)

Future Outlook

While it is clear that we are operating in a severely constrained economy, we firmly believe that our solutions roadmap offers compelling value to corporate customers looking to consolidate and optimise their communications infrastructure.

The Group is actively looking for growth opportunities as part of our acquisition strategy. The Board recently established a Shareholder Value Committee to drive the process. We believe that there are opportunities in the market and remain optimistic about future prospects.

Appreciation

I am a firm believer in teamwork, and it is with this in mind that I would like to extend my heartfelt appreciation to the teams that I work with:

- Board – I am blessed to have the support and guidance from a fantastic Board. I thank them for their support and care that they provide.
- Operational Team – We are a people focused business and without the people in our business we'd be nowhere. We have fantastic teams within the business that really live to service our customers and make them happy. It is a pleasure to work in an environment with such commitment and dedication.

We thank our clients, employees and our suppliers for their support throughout the year and look forward to an exciting new year.

Pretorius, Mario Brönn
Chairman

Voigt, Jaco-Muller
Chief Executive Officer

DECLARATION BY COMPANY SECRETARY

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.

Ramirez-Victor, Sascha
Company Secretary

15 October 2020

THE BOARD

Mr Mario Brönn Pretorius
Non-executive (63)

Mr Jaco-Muller Voigt
Chief Executive Officer (46)

Mr Jackie Michael Vosloo
Chief Financial Officer (47)

Mr Marthinus Gerhardus Erasmus
Independent Non-Executive (53)

Ms Mariette Tappan
Independent Non-Executive (57)

Mr Willem Frederik Steinberg
Independent Non-Executive (56)

Dr David John Bate
Independent Non-Executive (52)

DIRECTORS' PROFILES

Mr Mario Brönn Pretorius
Non-executive (63)

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 telecommunications 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.

Mario held the following directorships over the past year, this list excludes directorships of companies in deregistration:

Company	Nature of business
Bunker Hills Investment 483 (Pty) Ltd	Investment Company
Catalytic Connections (Pty) Ltd	Telecommunications
Catwalk Investments 599 (Pty) Ltd	Investment Company
Duelco Investments 162 (Pty) Ltd	Investment Company
Expectra 51 (Pty) Ltd	Telecommunications
Expectra Audits (Pty) Ltd	Telecommunications
Expectra Connectivity (Pty) Ltd	Investment Company
Farmyield (Pty) Ltd	Commercial Farming
Fluolor (Pty) Ltd	Investment Company
Gondwana Capital (Pty) Ltd	Investment Company
Gondwana Diamond Mining Namibia (Pty) Ltd	Diamond mining Company
Initiative SA Investments 114 (Pty) Ltd	Investment Company
Lifehouse Investments 58 (Pty) Ltd	Commercial Farming
Sakeliga (Pty) Ltd	Investment Company
Snowy Owl Properties 82 (Pty) Ltd	Property development
Snowy Owl Properties 90 (Pty) Ltd	Property development
Spice Telecom (Pty) Ltd	Telecommunications
TeleMasters (Pty) Ltd	Telecommunications
TeleMasters Direct (Pty) Ltd	Dormant Company
TeleMasters Holdings Ltd	Telecommunications
Telenext (Pty) Ltd	Dormant Company
Telexo Systems (Pty) Ltd	Investment Company
Valkyrie Capital (Pty) Ltd	Investment Company
Vazmasters (Pty) Ltd	Administrative services
Zero Plus Trading 194 (Pty) Ltd	Property development

DIRECTORS' PROFILES (CONTINUED)

Mr Jaco-Muller Voigt
Chief Executive Officer (46)

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 organization – the last one being founder and MD 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 telecommunications 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 enabling 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.

Jaco held the following directorships over the past year, this list excludes directorships of companies in deregistration:

Company	Nature of business
Catalytic Connections (Pty) Ltd	Telecommunications
Contineo Virtual Communications (Pty) Ltd	Telecommunications
PerfectWorx Consulting (Pty) Ltd	Telecommunications
Spice Telecom (Pty) Ltd	Telecommunications
TeleMasters Holdings Ltd	Telecommunications

Mr Jackie Michael Vosloo
Chief Financial Officer (47)

Michael holds a B.Compt. (Hons) and is a registered CA(SA). After completing his tertiary education, Michael filled positions such as Senior Internal Auditor, Group Treasurer and Finance Manager with corporates such as Business Connexion and GENSEC Property Services. Following his tenure with these companies, Michael served as Financial Manager with Barloworld Motor Retail.

In 2006 Michael formed part of the inception of Seriti Holdings and took responsibility as Finance Director for project managing the design and implementation of a new system.

Following his successes with the likes of Lightstone Auto and Eqstra, Michael saw an opportunity to present a new and value adding service through a company called Accident Angels. He acted as Financial Director and Project Manager until early 2016 when he ventured into opening his own financial consultancy.

Michael was appointed CFO of TeleMasters Holdings Limited on 30 May 2019.

Michael held the following directorships over the past year, this list excludes directorships of companies in deregistration:

Company	Nature of business
Drive A Car (Pty) Ltd	Dormant Company
Motor Rental Management (Pty) Ltd	Motor rental industry
Orange Tracking (Pty) Ltd	Dormant Company
TeleMasters Holdings Limited	Telecommunications

DIRECTORS' PROFILES (CONTINUED)

Mr Marthinus Gerhardus Erasmus
Independent Non-Executive (53)

Marthinus has a B.Acc. (Hons) degree, is a registered CA(SA) and holds an Executive Leadership certification from Unisa. After qualifying and serving articles at PwC, he worked in various large corporate environments where he gained experience in, inter alia, 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 is currently the CEO of the Sperosens group of companies.

Marthinus held the following directorships over the past year, this list excludes directorships of companies in deregistration:

Company	Nature of business
Brightwork Capital (Pty) Ltd	Consulting and Advisory, but dormant
FlowCentric Technnologies (Pty) Ltd	ICT Software
Fluolor (Pty) Ltd	Investment Company
K2014001245 (Pty) Ltd	Investment Holdings
Mukhanyo Theological College	Education
Sebenza Education and Empowerment Investments (Pty) Ltd	Education
Sperolon (Pty) Ltd	Engineering, Fire Protection and Telemetry
Spero Fire Solutions (Pty) Ltd	Engineering, Fire Protection and Telemetry
Spero Group (Pty) Ltd	Engineering, Fire Protection and Telemetry
Spero Sensors en Instrumente (Pty) Ltd	Engineering, Fire Protection and Telemetry
Spero Tegnologie (Pty) Ltd	Engineering, Fire Protection and Telemetry
TeleMasters Holdings Ltd	Telecommunications

Mr Willem Frederik Steinberg (Fred)
Independent Non-Executive (56)

Fred has been involved in the information and telecommunications technology 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.

Fred held the following directorships over the past year, this list excludes directorships of companies in deregistration:

Company	Nature of business
FCG ICT Services (Pty) Ltd	Technology Consulting Services
I Am App (Pty) Ltd	Software, distribution & development
TeleMasters Holdings Ltd	Telecommunications

DIRECTORS' PROFILES (CONTINUED)

Ms Mariette Tappan
Independent Non-Executive (57)

Mariette, (B.Com, CFP®, CeFT®) is an Executive Financial Advisor at Liberty Life and serves on the Financial Planning Institutes Client Engagement Committee. She is also a member of the Woman in Finance Organization and the South African Council for Businesswomen's (SACBW). She is currently the only Certified Financial Transitionist in Africa and a pioneer in the industry. 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.

Mariette held the following directorships over the past year, this list excludes directorships of companies in deregistration:

Company	Nature of business
Kaya Naga CC	Investment Company
TeleMasters Holdings Ltd	Telecommunications

Dr David John Bate
Independent Non-Executive (52)

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 specializes in Africa, the Middle East and Asia across M&A, privatizations, 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 and wine industries. He has also taught ICT, banking and public administration courses at post-secondary 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 organizations, he is a member of the Institute of Directors in Southern Africa (IoDSA) and Institute of Corporate Directors (ICD) in Canada.

David held the following directorships over the past year, this list excludes directorships of companies in deregistration:

Company	Nature of business
Mushroom Farm Park Conservation Association NPC	Conservation
TeleMasters Holdings Ltd	Telecommunications

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 with a Chairman who is elected from the Board. The roles of Chairman and Chief Executive Officer (CEO) are separated. The Board currently consists of five non-executive Directors and two executive Directors. The non-executive Directors are not appointed under service contracts. Four of the five non-executive Directors are independent.

The Directors' terms of office are as follows:

Director	Date appointed
Bate, David John – Non-executive, independent	17 January 2020
Erasmus, Marthinus Gerhardus – Non-executive, independent	7 August 2014
Pretorius, Mario Brönn – Non-executive	2 November 2006
Steinberg, Willem Frederik – Non-executive, independent	1 June 2018
Tappan, Mariette – Non-executive, independent	1 February 2018
Voigt, Jaco-Muller – Executive	12 May 2008
Vosloo, Jackie Michael – Executive	30 May 2019

Due to required rotation of Directors, MG Erasmus and MB Pretorius 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.

All Directors' interests in terms of Section 75 of the Companies Act, No. 71 of 2008, as amended (Companies Act), have been disclosed and all Directors are aware of their duty to make full disclosure of any interest involving the Group.

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 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	4	4
Erasmus, Marthinus Gerhardus	6	6
Pretorius, Mario Brönn	6	4
Steinberg, Willem Frederik	6	5
Tappan, Mariette	6	6
Voigt, Jaco-Muller	6	6
Vosloo, Jackie Michael	6	6

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 & 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 with a register of interests and a process for recusal from voting;
- 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 the Sub-Committees;
- Identifying training needs of the Directors;
- Tailoring an induction programme for new Directors to familiarise incoming Directors with operations, the business environment and the sustainability of the Group;
- To define the duties and responsibilities of Board members and to brief them on risks, legislative changes, accounting standards and policies;
- Adopting a programme of continuing professional education of the Directors;
- Identifying and participating in the selection of Board members in the absence of the Nomination Committee;
- 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 the ultimate responsibility for all management functions but may delegate these to management.

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

The roles and responsibilities of the CEO include:

- Establishing the organisational structure for the Group;
- Recommending or appointing the executive team;
- Doing 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:

- 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 and gender diversity requirements; and
- The Company Secretary will ensure that every new Director attends the JSE AltX Requirement for Directors, namely, to attend the Directors Induction Programme, and will provide every new Director with an induction session to ensure that every new Board member understands the Group, the business environment and his / her role and responsibilities as a Director of the Company.

All of the Directors except Dr Bate have attended this course. Dr Bate is currently enrolled in the Directors Induction Programme which will be completed by 29 October 2020.

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 and an ethics management programme;
- Examining opportunities and implementing measures to ensure that all opportunities are seized;
- Maintaining governance of risk;
- Maintaining governance of information technology (IT);
- Establishing a framework for the delegation of authority;
- Setting a formal process for the appointment of Directors in the absence of a Nomination Committee;
- Appointing a competent, suitably qualified and experienced Company Secretary;
- Establishing an effective and independent Audit & Risk Committee and approving its formal 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 all 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

Although the JSE Listings Requirements only provide for the establishment of an Audit & Risk Committee, the Group has established a Remuneration Committee, a Social & Ethics Committee and a Shareholder Value Committee. All of these Committees report to the Board.

4.1. Audit & Risk Committee

The Board has established an Audit & 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 & Risk Committee report included in the Consolidated Annual Financial Statements (AFS).

The Audit & Risk Committee consists of four 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 votes. The majority of the members of the Committee are financially literate.

The Shareholders appointed Mr MG Erasmus as Chairman of the Audit & Risk Committee. He is a Chartered Accountant whose profile is set out under the Directors' Profile section of this report. Members of the Audit & 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 & Risk Committee convened on various occasions during the financial period under review as set out in the Audit & Risk Committee report included in the Consolidated Annual Financial Statements of the Group. The Representatives of the Audit & Risk Committee did meet separately with the external auditors during the year.

The primary objective of the Audit & 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;
- Recommending the re-appointment or removal of the external audit firm and designated auditor, who is independent of the Group, to the Board;
- Approving the external audit firm's terms of engagement;
- Approving the external auditor's remuneration;
- Reviewing, monitoring and reporting on the independence and objectivity of the external audit firm;
- 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 an external audit firm to provide an assurance report on any summarised financial information;
- Addressing concerns raised by the external audit firm;
- Receiving notice of reportable irregularities in terms of the Auditing Profession Act, No. 26 of 2005 from the external audit firm;
- 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 & Risk Committee carried out its functions;
- Reviewing the external audit and commenting on the Consolidated Annual Financial Statements, policies and internal control; and
- Ensuring compliance with the King IV Report on Corporate Governance and compliance with the Group's Code of Ethics.

The Audit & 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 & Risk Committee met 6 times during the period under review. The attendance of Committee members at the Audit & Risk 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	4	4
Erasmus, Marthinus Gerhardus (Chairman)	6	6
Pretorius, Mario Brönn (By invitation)	6	4
Steinberg, Willem Frederik	6	5
Tappan, Mariette	6	6
Voigt, Jaco-Muller (By invitation)	6	6
Vosloo, Jackie Michael (By invitation)	6	6

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
Erasmus, Marthinus Gerhardus	1	1
Pretorius, Mario Brönn (By invitation)	1	1
Steinberg, Willem Frederik (Chairman)	1	1
Tappan, Mariette	1	1
Voigt, Jaco-Muller (By invitation)	1	1
Vosloo, Jackie Michael (By invitation)	1	1

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

- Setting and administering remuneration policies;
- Reviewing benefits to ensure that they are justified, correctly valued and properly disclosed;
- Setting Directors' fees for Non-Executive Directors and Committee members for approval by the Shareholders 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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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 recognizes 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.

The Board, with the assistance of the Remuneration Committee, will maintain this approach to ensure that remuneration is targeted at attracting, keeping and empowering employees with consistently high performance standards to the correct calibre. The Board recognizes the value of inspiring individual and team success and is thus equitable, fair and consistent in applying its remuneration policy.

Governance and the Remuneration Committee

The Board carries ultimate responsibility for the remuneration policy. When required, the Board will refer the endorsement of the annual remuneration policy and Non-Executive Director remuneration to Shareholders for approval.

The remuneration policy includes the following:

- The 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 Directors do not participate in any share incentive schemes;
- Contracts do not allow for balloon payments on termination or severance compensation due to any change in control;
- Wages 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 discrimination of any kind influences remuneration decisions; and
- Key executive remuneration is approved directly by the Remuneration Committee.

The remuneration of each individual Director and certain senior executives is set out in Note 34 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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

4.3. Social & Ethics Committee

The Board has a Social & Ethics Committee which comprises of all 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 & Ethics Committee met once during the period under review. The attendance of Committee members at the Social & 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
Pretorius, Mario Brönn	1	1
Steinberg, Willem Frederik	1	1
Tappan, Mariette (Chairwoman)	1	1
Voigt, Jaco-Muller	1	1
Vosloo, Jackie Michael	1	1

The Social & 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
- The Company is acting in compliance with the provisions of the Companies Act, 71 of 2008 and in conformity with its Memorandum of Incorporation.

Attitude to Gratitude

The Group supports 4 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, the animals are taken for walks, played with and bathed.

- **Dzulani Home**

  The Children's Care Centre resides in Vosloosrus. A lot of time is spent there with the goal to improve the home, the daily lives of the Care Centre Mother and the 25 plus kids at the home.

  We recently fixed their plumbing, repainted indoors, gave various donations including connectivity, beds, clothes and food items. This is but a small part that we can play here and we are committed to do our best to improve the centre.

- **Light House Baby Shelter**

  We have donated items such as baby clothes, toys, hygiene items and food. In addition, the kids were entertained and time spending with them.

- **Kids Haven**

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

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 maximizes opportunities to create and accelerate Shareholder value. The Board adopted a mandate for this Committee on 28 September 2020, including its purpose, composition, functions, operations, decisions, powers and reporting responsibilities, all of which are aligned to fulfilment of this commitment.

The Committee consists of three Non-Executive Directors, of which two are Independent Non-Executive Directors. The Committee has the authority to invite other guests to any meeting but such guests have no vote. Every member of the Committee is a financially literate professional 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, working with the Group's senior management team, shall:

- 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 (including with respect to capital allocation and financial and operational performance).

Strategic Alternatives

The Shareholder Value Committee, working with the Group's management team, shall 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 shall monitor, review and evaluate the Group's return on equity (ROE) (use of Shareholder equity), return on invested capital (ROIC) (use of all available capital) and advise the Board on the same on at least an annual basis.

Corporate Structuring

At its discretion from time to time, the Shareholder Value Committee shall review and evaluate the Group's corporate structure and make recommendations regarding options that may arise to improve the efficiency of the Group's corporate structure to the Board in respect of the same.

Capital and Debt Markets

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

Investor Relations

The Shareholder Value Committee, working with the Group's management team, shall monitor, review and evaluate the Company's Shareholder and investor engagement strategy and activities and make 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 monitor and consider the impact of any changes in the Group's investor and Shareholder profile and composition on the Group's strategic direction.

The Shareholder Value Committee convened its first meeting after the end of the financial year and will report its activities in the next integrated annual report.

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 & Risk Committee who reports to the Board. The Group, through the CEO, conducts strategic and operational risk management assessments throughout the year. The Group's top risks and mitigation strategies are reviewed by the Audit & Risk Committee at quarterly meetings. The following material financial and non-financial risks specific to the Group have been identified:

Key Risk 1

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 has implemented a new CRM platform to continuously engage with customers and sustain and grow relationships. This system enables the Group to access customer needs on an ongoing basis which increases ongoing cross-selling opportunities. Furthermore, the platform generates granular business intelligence information which allows the Group to reliably predict revenue expectations.

Key Risk 2

Regulatory Environment

Risk description

Key regulatory bodies active in the Group's business environment include but are not limited to the Independent Communications Authority of South Africa. Key legislation relevant to the Group's business environment include but are not limited to the Companies Act, the POPI Act, the Regulation of Interception of Communications and Provision of Communication-Related Information Act (RICA) and Financial Intelligence Centre Act (FICA). Specific regulations which impact the Group's business include health and safety regulations and employment equity (EE) reporting obligations.

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.

Key Risk 3

Information Security Risks and Digital Disruption

Risk description

Business IT systems and a well-planned disaster recovery strategy. Use of systems to automate business process to achieve complete digital transformation.

Risk response

The Group makes extensive use of IT systems and digital technology in all areas of operations. Cyber-attacks and hacking activities present increased and ongoing risks to all systems. Through services delivered by Group companies, such as cybersecurity, digital back–up solutions and disaster recovery, the Group has reduced its risk profile and exposure to such threats.

Key Risk 4

Talent

Risk description

The Group operates in the technology sector which is a fast moving market that requires constant upskilling. The recruitment and retention of highly skilled individuals across the Group's companies are critical success factors.

Risk response

Talent mobility ensures cross-skilling within a flat business structure across Group companies. Flat structures appeal to younger professionals by encouraging entrepreneurial values, teamwork and quick decision-making. The Group has active human capital processes with clearly communicated KPIs and business deliverables. This ecosystem fosters the transparent identification of human capital requirements and accelerates opportunities for team members to develop and accelerate their talents, skills and competencies and grow their roles and responsibilities in alignment with Group requirements.

Key Risk 5

Political Risks and Economic Risks

Risk description

Political uncertainty causes policy uncertainty which delays the availability of new technologies (such as the release of radio frequency spectrum). Moreover, the Group's value chain is exposed to international market conditions which create various political and economic risks, including currency volatility and depreciation.

Risk response

The Group continuously focuses on areas within its control to ensure the optimal outcomes for customers. The Group has strong and sustainable relationships with key vendors which enable it to stay abreast of the latest technology advances and new product releases. The Group undertakes regular scenario planning to ensure that it maintains updated disaster recovery plans.

Key Risk 6

Covid-19 Pandemic

Risk description

Government lockdown and economic shutdown.

Risk response

The Group has an active response plan with the ability to implement remote work regimes as required. The Group has renegotiated agreements with vendors and suppliers that include payment relief plans for customers and businesses. Regular system tests and drills are conducted to ensure the efficiency of systems.

Key Risk 7

Core Network Assets

Risk description

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

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 8

Sustainable Growth

Risk description

The delivery of sustainable growth is a key strategic imperative to ensure the existence of the business and continuous creation of shareholder value. Sustainable growth means conducting business responsibly and growing bottom-line profitability at a pace that sustains the business and creates meaningful shareholder value.

Risk response

The Group is committed to delivering a mix of organic growth and strategic acquisitions that fit into the Group's overall strategy to grow the business and create and accelerate shareholder value through superior returns on invested capital. The Group has 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. At the same time, the Group is vigilantly aware of the impact of costs and continuously identifies opportunities to improve business efficiencies that enhance net profit margins.

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 2020 are 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 and Committees with work plans;
- Obtaining responses and feedback on agenda items and matters arising;
- Ensuring proper recording of Board and 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 the subsidiaries in the Group.

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 assist the Board in her role.

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

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

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

9. Internal Audit

The Group has not established an internal audit function to evaluate to 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 therefrom. 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 & 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 & Risk Committee. This Committee must ensure that effective controls are in place to mitigate identified risks and ensure an effective internal control framework.

10. Communication with Stakeholders

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 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 & Risk Committee and the Group's auditors.

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 Ethics

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

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

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

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 & 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 methodology and telephony solutions for our clients remains at the leading edge of technological development. These technologies 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's office systems are aimed at reducing resource consumption over time 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

Link Market Services South Africa (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. Race and Gender Diversity

The Board has adopted a race and gender diversity policy which guides the Board in filling vacancies as and when they occur. Currently the Board consists of six white males and one white female.

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 2020, 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 policies and practices of the Board on matters such as 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, 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. It's supports a sustainable business while acting in the best interest of the Group and oversees and monitors implementation and execution of the business by management to ensure accountability for the Group's performance. While considering and cognisant of relevant risks, the Board continually considers the Group's short and long term impact on the economy, society, environment and 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 a system of assurances on 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 & Ethics Committee, the Board approves the Group's Code of Ethics (the 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 & Ethics Committee, exercises ongoing oversight of the management of ethics, monitors the Group's activities regarding ethics and ensures that ethics are integrated in the operations of the Group.

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 and collaboration, the Group has committed to understanding and being responsive to the interests and expectations of stakeholders and to partnering with them in finding lasting solutions to sustainability challenges.

It is a TeleMasters Holdings imperative to be a values-driven organisation and to fulfil its legal and moral obligations as a good corporate citizen. The Board, with the support of the Social & Ethics Committee 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 & Risk Committee, ensures that necessary controls are in place to verify and safeguard the integrity of the annual reports and any other disclosures. The Group complies with all required disclosures. Reporting frameworks and materiality are approved by the Audit & Risk Committee to ensure compliance with legal requirements and relevance to stakeholders.

The Audit & Risk Committee oversees the Integrated Annual Reporting 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 or 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. As a direct Shareholder, the Company exercises its rights and is involved in the decision-making of its subsidiaries on 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 capacity of each Director is categorised as defined in the JSE Listings Requirements. As the Board includes two Executive Directors, namely the CEO and CFO, the guidelines of King IV and other factors are also considered in the categorisation of Directors. 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.

There is a clear distinction drawn between the roles of the CEO and the Chairman and these positions are occupied by separate individuals. A brief CV for each Director standing for election or re-election at the Annual General Meeting accompanies the notice of the Annual General Meeting.

Newly appointed Directors are inducted in the Company's business, Board matters, 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.

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

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

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

Where necessary, external advisors, Executive Directors and members of management attend Committee meetings by invitation. The 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 Committee which are reviewed regularly. Each Committee has its own charter.

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

There is a balanced distribution of power in respect or membership across 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 a Committee will not by or of itself constitute a discharge of the Board's accountability.

The Board applies its collective mind to the information, opinions, recommendations, reports and statements presented by the chairman of a Committee.

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

Audit & Risk Committee

The Board has an Audit & Risk Committee comprising of Non-Executive Directors only and its independence and effectiveness is reviewed on an annual basis. The Audit & 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 a Committee of the Board in respect of all other duties assigned to it by the Board.

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

The Audit & Risk Committee consists of four Non-Executive Directors. The Chairman of the Board is not a member of the Committee. Members of the Committee are elected by Shareholders. All Committee members are financially literate and have extensive Audit & Risk Committee experience.

The Committee provides independent oversight of, among others, the effectiveness of the Group's assurance services, with focus on combined assurance arrangements, including external assurance service providers and the finance function and the integrity of the Consolidated Annual Financial Statements and, to the extent delegated by the Board, other external reports issued by the Company. The 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 & Risk Committee and significant issues dealt with during the year are described in the Report of the Audit & Risk Committee included in the Consolidated Annual Financial Statements.

Remuneration Committee

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

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

Social & Ethics Committee

The Social & 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 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 maximizes opportunities to create and accelerate value for Shareholders.

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

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 its performance and effectiveness.

Principle response

The Board is responsible to evaluate the effectiveness and performance of the Board, its Committees and the individual Directors every second year. The Chairman of the Board, 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 organisation. The Chairman annually considers the commitments of Directors and whether the Director has sufficient time to fulfil the responsibilities as a Director to ensure they can still execute their job effectively and is free from conflicts that cannot be managed satisfactorily. Should the Chairman be of the view that a Director is over-committed or has an unmanageable conflict, the Chairman will meet with that Director to discuss the resolution of the matter.

The role of the Chairman is formalised and every second year an assessment of the Chairman's ability to add value and his performance against what is expected of his role and function is conducted by the Board. The Board has appointed WF Steinberg as the lead independent Director who will be responsible for ensuring that the performance of the Chairman is evaluated annually. The Board is responsible for succession planning for the position of the Chairman.

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

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 is delegated with authority from and is accountable to the Board for the successful implementation of the Group strategy and the overall management and performance of the Group in a manner consistent with enhancing long term shareholder value.

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

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

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 & 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, with the ultimate aim to grow value sustainably for all stakeholders by embedding risk management into key decision-making processes.

The Board approves TeleMasters Holding's Group 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 & 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 & Risk Committee considers potential risks and / or opportunities as appropriate.

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

Principle 12

Technology and Information Governance

Principle description

The Board, supported by the Audit & 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.

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 & 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 results in rewards 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.

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

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

The Audit & Risk Committee is responsible for the quality and integrity of TeleMasters Holdings Limited's Integrated Annual Reporting. The Board, with the support of the Audit & 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 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.

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 strives 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 that TeleMasters Holdings Limited 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 and 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 during the normal course of business at multiple levels across the Group and the Company strives to resolve disputes with its stakeholders effectively and expeditiously.

The Company also publishes its most recent financial performance and provides recent historical information, including its annual reports, on its website.

TeleMasters Holdings Limited invites all Shareholders to attend its Annual General Meeting.

CONTENTS

The reports and statements set out below comprise the Consolidated Annual Financial Statements presented to the Shareholders:

GENERAL INFORMATION

Country of incorporation and domicile	Republic of South Africa
Nature of business and principal activities	TeleMasters delivers full telecommunications, internet connectivity and cloud solutions to businesses across South Africa.
Directors	Bate, David John Erasmus, Marthinus Gerhardus Pretorius, Mario Brönn Steinberg, Willem Frederik Tappan, Mariette Voigt, Jaco-Muller Vosloo, Jackie Michael
Registered office	Building 2 ATT House Maxwell Office Park Magwa Crescent Waterfall City 2090
Business address	Building 2 ATT House Maxwell Office Park Magwa Crescent Waterfall City 2090
Postal address	P.O. Box 68255 Highveld Park Irene 0169
Bankers	First National Bank
Auditors	Nexia SAB&T Registered Auditors
Secretary	Sascha 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 internally compiled by: Michael Vosloo CA(SA)

AUDIT & RISK COMMITTEE REPORT

This report is provided by the Audit & Risk Committee appointed in respect of the 2020 financial year of TeleMasters Holdings Limited and its subsidiaries and is presented as required by King IV and Section 94 of the Companies Act.

The Audit & Risk Committee consists of four independent Non-Executive Directors. 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 meetings but have no votes. The majority of the members of the Committee are financially literate.

The Audit & 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 role of the Audit & Risk Committee is to assist the Board by performing an objective and independent review of the functioning of the organisation's finance and accounting control mechanisms. It exercises its functions through close liaison and communication with corporate management and the external auditors. The Committee 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.

The Audit & Risk Committee is guided by its charter, approved by the Board, dealing with membership, structure and levels of authority. The roles and responsibilities of the Audit & Risk Committee have been fully addressed in Paragraph 4.1 of the Corporate Governance Report included in the Integrated Annual Report of the Group. The Board has approved the Committee terms of reference and is satisfied that the members thereof have the required knowledge and experience as set out in Section 94(5) of the Companies Act 71 of 2008 and Regulation 42 of the Companies Regulations, 2011.

The Audit & Risk Committee addressed its responsibilities properly in terms of its charter during the previous financial year. No changes to the charter were adopted during the financial year. The Audit & Risk Committee has complied with its legal and regulatory responsibilities.

1. **Members of the Audit & Risk Committee**

The attendance of Committee members at the Audit & Risk Committee meetings during the period under review, considering their dates of appointment and / or resignation, was as follows:

Name	Number of meetings	Number of meetings attended
Bate, David John	4	4
Erasmus, Marthinus Gerhardus (Chairman)	6	6
Pretorius, Mario Brönn (By invitation)	6	4
Steinberg, Willem Frederik	6	5
Tappan, Mariette	6	6
Voigt, Jaco-Muller (Chief Executive Officer - By invitation)	6	6
Vosloo, Jackie Michael (Chief Financial Officer - By invitation)	6	6

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

AUDIT & RISK COMMITTEE REPORT (Continued)

2. **External auditor**

The Company is required in accordance with section 90(1) of the Companies Act to appoint an external audit firm and designated audit partner that is compliant with section 90(2) of the Companies Act and JSE Listings Requirements, which appointment must be approved by Shareholders at the Company's Annual General Meeting.

Accordingly, in compliance with the Companies Act and Paragraph 3.84(g)(iii) of the JSE Listings Requirements, the Committee assessed the suitability for re-appointment of the current appointed Audit Firm, being Nexia SAB&T and the designated auditor, being Aneel Darmalingam. The current Audit Firm has now completed their ninth year as Auditors and the Audit partner for the fourth year.

The Committee examined and 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 involved with the TeleMaster's Group audit, including the designated individual auditor;
- A summary and results of any legal and disciplinary proceedings that may have been concluded within the past nine years instituted in terms of any legislation or by any professional body of which the audit firm and / or designated auditor are a member or regulator to whom they are accountable, including where the matter is settled by consent order or payment of a fine; and
- As part of the Auditor Suitability Review, the Committee met with the individual auditor responsible for the TeleMasters audit to deal with the matters arising from the review.

Based on the results of the Auditor Suitability Review and a review of the independence of Nexia SAB&T and the designated individual auditor, the Committee is satisfied that there are no current material matters that have not been addressed by Nexia SAB&T and, accordingly, recommends that Nexia SAB&T be re-appointed as the Auditors of the Company and that Aneel Darmalingam be re-appointed as the designated individual auditor. The Committee has satisfied itself that both Nexia SAB&T and Aneel Darmalingam are accredited in terms of the JSE Listings Requirements. The Board concurred with the recommendation and has further recommended to Shareholders the re-appointment as recorded in the notice of Annual General Meeting.

3. **Auditor independence and fees**

The Committee has reviewed and assessed the independence of the external auditor who has confirmed in writing that the criteria for independence, as set out in the rules of IRBA and international bodies, have been followed. The Committee is satisfied that Nexia SAB&T is independent of the Group.

The Committee also reviewed and confirms that it is satisfied that the external audit firm and designated audit partner have the necessary independence, experience, qualifications and skills, and that audit and other fees were reviewed and approved.

The Committee determines the nature and extent of non-audit services that the firm can provide and pre-approves all permitted non-audit assignments by the Group's independent auditor. The external auditor did not perform any non-audit services to the Group other than the assistance with a few VAT and Income tax queries as well as the submission of income tax returns to the South African Revenue Services.

The Committee approves the annual audit plan presented by the external auditors. The audit plan provides the Committee with the necessary assurance on risk management, internal control environments and IT governance.

AUDIT & RISK COMMITTEE REPORT (Continued)

4. Consolidated Annual Financial Statements

The Committee reviewed the external audit scope, plans and findings, as well as management reports, in order 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.

The Committee reviewed the following:

- The quality and integrity of the Integrated Annual Report;
- The financial statements and announcements in respect of the results;
- The appointment, remuneration, performance and independence 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.

The Committee understands that the audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depended on the Auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the Auditors considered internal controls relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. The audit included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

The Committee has reviewed and is satisfied 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.

The valuation of property, plant and equipment, trade receivables and prepayments as well as revenue recognition were considered significant audit matters by the Committee.

AUDIT & RISK COMMITTEE REPORT (Continued)

5. Committee Statement

After review and consideration of feedback received from management and the external Auditors, 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;
- Has considered the latest proactive monitoring report and findings and has ensured compliance thereof, 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; and
- Discussed the treatment of significant and unusual transactions with management and the external Auditors.

The Committee is satisfied that the expertise and experience of the Chief Financial Officer is appropriate to meet the responsibilities of the position. This is based on the qualifications, levels of experience, and the Board's assessment of the financial knowledge of the Chief Financial Officer.

The Committee is also satisfied as to the appropriateness, expertise and adequacy of resources of the finance function and the experience of senior members of management responsible for the finance function.

The Group has internal controls and systems designed to provide assurance as to the reliability and integrity of the financial statements. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve the Group's business objectives. The Committee considers that the Consolidated Annual Financial Statements comply in all material respects with the statutory requirements of the various laws and regulations governing disclosure and reporting in the Consolidated Annual Financial Statements and that the Consolidated Annual Financial Statements comply in all material respects with IFRS, the SAICA Financial Reporting Guides and Financial Reporting Pronouncements, as well as the requirements of the Companies Act and the JSE Listings Requirements.

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

On behalf of the Audit & Risk Committee:

Marthinus Gerhardus Erasmus
Chairman Audit & Risk Committee

15 October 2020

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 judgments 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 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 to ensure 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 behaviours 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 2021 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 has been given unrestricted access to all financial records and related data, including minutes of all meetings of Shareholders, the Board of Directors and Committees of the Board. The Directors believe that all representations made to the independent Auditor during the audit were valid and appropriate. The external auditor's report is presented on pages 49 to 52.

The Consolidated Annual Financial Statements set out on pages 53 to 96, which have been prepared on the going concern basis, were approved by the Board on 15 October 2020 and were signed on their behalf by:

Approval of the Consolidated Annual Financial Statements

Voigt, Jaco-Muller

Vosloo, Jackie Michael

DIRECTORS' REPORT

The Directors have pleasure in submitting their report on the Consolidated Annual Financial Statements of TeleMasters Holdings Limited and its subsidiaries for the year ended 30 June 2020.

1. Review of financial results and activities

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 new 'gig' economy. Our vision is to create and accelerate shareholders 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 2020 is set out in Note 16 of these Consolidated Annual Financial Statements.

As at 30 June 2020, there were 42 000 000 issued ordinary shares and 458 000 000 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.

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

3. Dividends

Dividends totalling 7,60 cents per share were declared for the year, as follows:

- Dividend number 44 of 1,50 cents per share was declared on 26 July 2019 and paid to all shareholders recorded in the share register of the Company at the close of business on 8 August 2019;
- Dividend number 45 of 1,50 cents per share was declared on 1 October 2019 and paid to all shareholders recorded in the share register of the Company at the close of business on 1 November 2019;
- Dividend number 46 of 1,50 cents per share was declared on 10 December 2019 and paid to all shareholders recorded in the share register of the Company at the close of business on 3 January 2020;
- Dividend number 47 of 1,50 cents per share was declared on 31 March 2020 and paid to all shareholders recorded in the share register of the Company at the close of business on 24 April 2020; and
- Dividend number 48 of 1,60 cents per share was declared on 29 June 2020 and paid to all shareholders recorded in the share register of the Company at the close of business on 17 July 2020.

The Board remains committed to the policy of quarterly dividends.

During the comparative year ended 30 June 2019, the Group declared four dividends totaling 4,00 cents per share.

4. Directorate

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

Directors	Nationality	Changes
Bate, David John	Canadian	Appointed 17 January 2020
Erasmus, Marthinus Gerhardus	South African	
Pretorius, Mario Brönn	South African	
Steinberg, Willem Frederik	South African	
Tappan, Mariette	South African	
Voigt, Jaco-Muller	South African	
Vosloo, Jackie Michael	South African	

5. Interest of directors and officers in the company securities

Interests in shares

Directors	2020 Direct	2019 Direct	2020 Indirect	2019 Indirect
Erasmus, Marthinus Gerhardus	-	-	50 000*	50 000*
Pretorius, Mario Brönn	-	-	35 700 000	35 700 000
Tappan, Mariette	50 000	50 000	-	-
Voigt, Jaco-Muller	68 429	40 590	-	-
Vosloo, Jackie Michael	45 300	300	-	-
	163 729	90 890	35 750 000	35 750 000

*The 2019 and 2018 Integrated Annual Reports reflected Erasmus, Marthinus Gerhardus' shareholding as 43 000 shares whereas in line with the dealings announcements published on SENS he held 50 000 shares.

Transactions during the period

Directors	2020 Direct	2019 Direct
Tappan, Mariette	-	50 000
Voigt, Jaco-Muller	27 839	40 590
Vosloo, Jackie Michael	45 000	300
	72 839	90 890

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

- Voigt, Jaco-Muller 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 and Perfectworx Consulting (Pty) Ltd as disclosed under Events after the reporting period below;
- Voigt, Jaco-Muller purchased an additional 51 682 shares on the open market; and
- Pursuant to a restructure of his business interests, Erasmus, Marthinus Gerhardus disposed of 25 000 shares held on an indirect beneficial basis post year end and transferred the remaining 25 000 into his name such that they are now held on an direct beneficial basis.

6. Investments in associate

Details of interests in associate are presented in the Consolidated Annual Financial Statements in Notes 9. There were no share of equity accounted profits or losses to be recognised in the current year.

There were no material acquisitions during the year ended 30 June 2020.

7. Subsidiary companies

TeleMasters Holdings Ltd holds 100% of the voting equity and issued share capital of R5 416 998 in its only subsidiaries Catalytic Connections (Pty) Ltd and Spice Telecom (Pty) Ltd. The subsidiaries' country of incorporation is the Republic of South Africa and the nature of their businesses is the provision of telecommunications and internet services similar to that of TeleMasters Holdings Limited. The total comprehensive loss or income of Catalytic Connections (Pty) Ltd during the financial period ended 30 June 2020 amounted to a loss of R1 139 977 (2019: income of R454 904) and that of Spice Telecom (Pty) Ltd amounted to an income of R1 343 331 (2019: a loss of R3 364 211).

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 06 December 2019, the following special resolutions were passed:

- Non-Executive Directors' remuneration for the year commencing from 1 July 2019 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 2020:

- The acquisitions of Contineo Virtual Communications (Pty) Ltd from Messrs. Jaco Voigt ("Voigt") and Laurent Pieton ("Pieton") for a maximum purchase consideration of R15 150 000 (fifteen million one hundred and fifty thousand Rand) and Perfectworx Consulting (Pty) Ltd from Voigt for a maximum purchase consideration of R1 350 000 (one million three and fifty thousand Rand) (together the "Acquisitions") were concluded and an aggregate of 8 500 000 new shares were issued to Pieton and Voigt in settlement of the initial purchase consideration payable for the acquisitions on 1 July 2020; and
- Dividend number 49 of 1,60 cents per share was declared on 30 September 2020 and is payable to all Shareholders recorded in the share register of the Company at the close of business on 23 October 2020.

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 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 Board supports the actions taken by the South African Government with regards to the Covid-19 pandemic. Our objective during this time was to support our customers whilst safeguarding our employees. ICT and infrastructure support services were classified as essential business services. Our customer support and sales staff worked remotely and our Solution Deployment Catalysts were able to attend to any equipment issues.

Covid-19 has not had a significant impact on the Group and is not expected to impact on the Group as a going concern in the foreseeable future.

13. Litigation statement

A settlement was reached with Huge Group Limited ("Huge") in respect of a long outstanding dispute. This had a once-off positive earnings and cash flow impact of R1,72 million.

Other than that disclosed 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.

DIRECTORS' REPORT (Continued)

14. Auditors

Nexia SAB&T acted as the Group's Auditors for the period ended 30 June 2020 and will be nominated to continue in office in accordance with Section 90 of the Companies Act, as amended, for re-appointment at the Annual General Meeting. The independence and remuneration of the Auditors was confirmed by the Audit & Risk Committee.

15. Secretary

The Company secretary is Mrs Sascha Ramirez-Victor.

Postal address:	P.O. Box 68255 Highveld Park Irene 0169
Business address:	Building 2 ATT House Maxwell Office Park Magwa Crescent Waterfall City 2090

16. Major and public shareholders

Details of the major shareholders are provided in Note 17 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 the Board Committees, as well as the attendance of the Directors and the Committee meetings, is fully disclosed in the Corporate Governance Report.

Nexia SAB&T
accountants | auditors | consultants

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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 96 which comprise the consolidated statement of financial position as at 30 June 2020, 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 2020, 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 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.

Chairperson: Mrs A Ramasike
Chief Executive Officer: Mr B Adam
SAB&T Chartered Accountants Incorporated t/a Nexia SAB&T
Company Registration Number: 1997/018869/21 | IRBA Registration Number: 921297
Offices in: Bloemfontein, Cape Town, Centurion, Durban, Kimberley, Nelspruit, Polokwane, Port Elizabeth, Rustenburg
B-BBEE rating: Level 1 Contributor in terms of Generic Scorecard - B-BBEE Codes of Good Practice
SAB&T Chartered Accountants Incorporated is an independent member firm of Nexia International
SAB&T Chartered Accountants Incorporated is an authorised financial services provider
* A full list of directors is available for inspection at the company's registered office or on request

INDEPENDENT AUDITOR'S REPORT (Continued)

Key Audit Matter	How our audit addressed the key audit matter
Revenue recognition	
As disclosed in note 20, the consolidated financial statements include revenue of R79,7 million (2019: R100 million). 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. The accuracy, completeness and validity of the revenue recorded is significantly reliant on the efficient and effective operation of the internally developed billing system. 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: • Evaluated and tested the internal controls relating to revenue; • Performed analytical audit procedures in respect of revenue; • Verified that the revenue recognition and measurement policies adopted and implemented were in terms of IFRS; • Verified that the revenue processed in the billing system accurately interfaced with the financial reporting system; • Verified that the revenue recognised in the financial system was accurately recognised and measured in terms of the customer contractual agreements; • Verified that where there were customer contracts in place, the customers were invoiced in accordance with the terms of these contracts; • Selected transactions before and after the reporting period end, to confirm the transactions were recognised in the correct financial period; and • Assessed the appropriateness of the application of revenue recognition and measurement principles in accordance with *IFRS 15: Revenue from contracts with customers.* 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 2020" which includes the Directors' Report, the Audit and Risk Committee Report and the Company Secretary's Certificate as required by the Companies Act of South Africa. The other information does not include the consolidated financial statements and our auditor's report thereon.

Nexia SAB&T

INDEPENDENT AUDITOR'S REPORT (Continued)

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.

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 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

Nexia SAB&T

INDEPENDENT AUDITOR'S REPORT (Continued)

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, related safeguards.

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 9 years.

Nexia SAB&T

Nexia SAB&T
Per: A Darmalingam
Director
Registered Auditor

15 October 2020

Nexia SAB&T

STATEMENT OF FINANCIAL POSITION

as at 30 June 2020

	Note(s)	2020	2019
Assets			
Non-Current Assets			
Property, plant and equipment	4	7 526 910	10 169 568
Right-of-use assets	5	9 775 832	-
Goodwill	6	3 286 779	3 286 779
Intangible assets	7	1 919 173	2 719 997
Investments in associate	9	25	-
Loans to associate	10	2 700 374	-
Deferred tax	11	351 079	206 899
Prepayments	12	-	1 167 505
		25 560 172	**17 550 748**
Current Assets			
Inventories	13	285 053	366 321
Trade and other receivables	14	4 743 064	6 019 602
Prepayments	12	1 660 746	3 971 623
Current tax receivable		36 885	25 368
Cash and cash equivalents	15	16 191 004	12 987 460
		22 916 752	**23 370 374**
Total Assets		**48 476 924**	**40 921 122**
Equity and Liabilities			
Equity			
Share capital	16	48 059	48 059
Retained income		32 910 862	35 013 307
		32 958 921	**35 061 366**
Liabilities			
Non-Current Liabilities			
Lease liabilities	5	8 256 118	766 556
Deferred income	18	-	49 241
		8 256 118	**815 797**
Current Liabilities			
Trade and other payables	19	5 402 341	4 499 747
Lease liabilities	5	1 765 188	391 569
Deferred income	18	89 036	152 643
Current tax payable		5 320	-
		7 261 885	**5 043 959**
Total Liabilities		**15 518 003**	**5 859 756**
Total Equity and Liabilities		**48 476 924**	**40 921 122**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note(s)	2020	2019
Revenue	20	79 666 284	100 037 105
Cost of sales		(48 137 728)	(63 513 618)
Gross profit		**31 528 556**	**36 523 487**
Other operating income		103 291	276 464
Other operating gains	21	60 153	-
Other operating expenses		(29 498 404)	(36 648 026)
Operating profit	22	**2 193 596**	**151 925**
Investment income	23	1 242 479	791 750
Finance costs	24	(395 915)	(715 844)
Loss on disposal of financial asset	25	(2 014 819)	-
Profit before taxation		**1 025 341**	**227 831**
Taxation	26	64 214	815 152
Total comprehensive income for the year		**1 089 555**	**1 042 983**
Basic and diluted earnings per share			
Basic earnings per share (cents)	27	2.59	2.48
Diluted earnings per share (cents)	27	2.49	2.48

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Total share capital	Retained income	Total equity
Balance at 01 July 2018	**4 200**	**43 859**	**48 059**	**35 650 324**	**35 698 383**
Total comprehensive income for the year	**-**	**-**	**-**	**1 042 983**	**1 042 983**
Dividends	-	-	-	(1 680 000)	(1 680 000)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**-**	**(1 680 000)**	**(1 680 000)**
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)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**-**	**(3 192 000)**	**(3 192 000)**
Balance at 30 June 2020	**4 200**	**43 859**	**48 059**	**32 910 862**	**32 958 921**
Note	16	16	16		

STATEMENT OF CASH FLOWS

	Note(s)	2020	2019
Cash flows from operating activities			
Cash generated from operations	28	13 869 577	10 643 979
Finance costs		(395 915)	(715 844)
Tax paid	29	(86 163)	(654 846)
Net cash from operating activities		**13 387 499**	**9 273 289**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(3 780 790)	(1 591 416)
Proceeds on sale of property, plant and equipment		355 130	-
Purchase of intangible assets	7	-	(1 652 682)
Loans advanced to associate		(2 700 374)	-
Purchase of other financial asset		(30 805 850)	-
Proceeds on disposal of other financial asset		28 791 031	-
Interest income		1 242 479	791 750
Net cash in investing activities		**(6 898 374)**	**(2 452 348)**
Cash flows from financing activities			
Payment of lease liabilities	30	(767 716)	(2 917 380)
Dividends paid	31	(2 517 865)	(1 680 000)
Net cash in financing activities		**(3 285 581)**	**(4 597 380)**
Total cash movement for the year		**3 203 544**	**2 223 561**
Cash at the beginning of the year		12 987 460	10 763 899
Total cash at end of the year	15	**16 191 004**	**12 987 460**

ACCOUNTING POLICIES

1. Presentation of Consolidated Annual Financial Statements

The Consolidated Annual Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council, the requirements of the Companies Act of South Africa and the JSE Listings Requirements.

Basis of preparation

The Consolidated Annual Financial Statements have been prepared on the historical cost basis. The financial statements are presented in South African Rand which is the Group's functional currency.

The accounting policies are consistent in all material respects with those applied in the previous year except for the adoption of IFRS 16 which is presented in "Changes in accounting policies" - refer Note 2.

1.1. Consolidation

Basis of consolidation

The Consolidated Financial Statements incorporate the Company's financial statements and the entities controlled by the Company (its subsidiaries). An investor controls an investee when it is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

The subsidiaries' Accounting Policies are in line with those used by TeleMasters Holdings Limited. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Business combinations

All business combinations are accounted for by applying the acquisition method. The cost of the business combination is the fair value at the date of exchange of the assets acquired, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control in the acquiree. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised at the effective interest rate and the costs to issue equity are included in the cost of equity. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the acquisition date irrespective of the extent of the non-controlling interest.

At acquisition date, the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill in accordance with the Group's accounting policy for goodwill. The acquisition date is the date on which the Group effectively obtains control of the acquiree.

Management assesses the various processes surrounding the acquired entity at acquisition date to determine whether existing significant processes, inputs and outputs should be recognised as a business combination. These considerations include:

- Active trading and management of the company; and
- Collection and payment of various transactions.

Investment in associate

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor a joint venture. 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.

An investment in associate is accounted for using the equity method. Under the equity method, investments in associates are carried in the Consolidated 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.

Losses in an associate in excess of the Group's interest in that associate are recognised only to the extent that the Company has incurred a legal or constructive obligation to make payments on behalf of the associate.

1.1. Consolidation (continued)

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.

When the Group reduces its level of significant influence or loses significant influence, the Group proportionately reclassifies the related items which were previously accumulated in equity through other comprehensive income to profit or loss, as a reclassification adjustment. In such cases, if an investment remains, that investment is measured to fair value, with the fair value adjustment being recognised in profit or loss as part of the gain or loss on disposal, where applicable.

1.2. Significant judgments and sources of estimation uncertainty

In preparing the Consolidated Annual Financial Statements, management is required to make estimates and assumptions that affect the amounts represented in the Consolidated Annual Financial Statements and related disclosures. Use of available information and the application of judgments are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the Consolidated Annual Financial Statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments, apart from those involving estimations, that the Directors have made in the process of applying the Group's Accounting Policies and that have the most significant effect on the amounts recognised in the Consolidated Annual Financial Statements:

Income tax

Judgment 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 issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast budgets from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the year end date could be impacted. (Refer Note 11).

Plant and equipment

Judgment is required when determining the estimated useful 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 the item, the condition as result of current usage and the expected physical wear and tear of each item of property, plant and equipment. Refer Paragraph 1.4 for estimated useful lives.

1.2. Significant judgments and sources of estimation uncertainty (continued)

Intangible assets

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

The Group tests annually whether intangible assets with indefinite lives have suffered any impairment, in accordance with the accounting policy stated in Paragraph 1.6. The recoverable amounts of certain cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. Refer Note 7 for detail surrounding the estimations utilised in these calculations.

Trade receivables

Judgment is required in the assumptions used for calculating the Expected Credit Loss ("ECL"). The Group has financial assets classified and measured at amortised cost that are subject to the expected credit loss model requirements of IFRS 9. Refer Note 14 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 Note 6 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 have been disclosed in Note 6.

1.3. Goodwill

Initial recognition and measurement

Goodwill arising on the acquisition of subsidiaries represents the excess of the purchase consideration over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities recognised. Goodwill is recognised as an asset and initially measured at its cost.

Subsequent measurement

Goodwill is subsequently measured at cost less any accumulated impairment.

Impairment

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill is allocated are tested for impairment annually or more frequently when there is an indication that the unit may be impaired.

Impairment losses recognised on goodwill may not be subsequently reversed.

1.4. Property, plant and equipment

Property, plant and equipment held for use in the production of income, or for administration purposes, are 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 are stated at their cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Costs include costs incurred initially to acquire an item of property, plant and equipment and costs incurred subsequently to add to the asset.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Group. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised. The depreciation charge for each period is recognised in profit or loss. The estimated useful lives, residual values and depreciation method are reviewed annually with the effect of any changes in estimate accounted for on a prospective basis.

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

1.5. Intangible assets

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

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. The amortisation period, residual value and the amortisation method for intangible assets are reviewed annually.

Amortisation is charged so as to write off the cost of intangible assets over their estimated useful lives, using the straight-line method as follows:

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

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.

1.6. Impairment of tangible assets and intangible assets with a definite useful life

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount is the higher of the fair value less costs to sell and the value-in-use. In assessing the value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of any asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

1.7. Financial Instruments

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

Note 35 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 14), Loans to associate (Note 10) and Cash and cash equivalents (Note 15) 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, Loans 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.

ACCOUNTING POLICIES (CONTINUED)

1.7. Financial Instruments (Continued)

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, 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; and
- If a financial asset was not purchased or originally credit-impaired but it has subsequently become credit-impaired, 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, the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

Impairment

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

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

The Group measures the loss allowance on a loan 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, 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.

ACCOUNTING POLICIES (CONTINUED)

1.7. Financial Instruments (Continued)

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 90 days past due unless the Group has reasonable and supportable information that demonstrates otherwise.

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

By contrast, if a financial asset is assessed to have a low credit risk at the reporting date, 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.

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 and 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. 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..

1.7. Financial Instruments (Continued)

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 14.

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 35).

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 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 disposed of during the current 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 Note 25 for the loss on disposal.

ACCOUNTING POLICIES (CONTINUED)

1.7. Financial Instruments (Continued)

FINANCIAL LIABILITIES AT AMORTISED COST

Classification

Trade and other payables (Note 19) 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 24).

Financial liabilities expose the Group to liquidity risk and interest rate risk. Refer to Note 35 for details of risk exposure and management thereof.

DERECOGNITION

Financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets 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.

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.

1.8. Tax

Current tax assets and liabilities

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

Current tax liabilities / assets for the current and prior periods are measured at the amount expected to be paid to / recovered from the tax authorities using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither accounting profit nor taxable profit / tax loss.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

A deferred tax asset is 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.

1.9. Leases

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

A contract is a lease 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 a lease or contains a lease, management determines 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.

During the current reporting period, there were no significant judgments or sources of estimation uncertainty in determining whether a contract is or contains a lease.

ACCOUNTING POLICIES (CONTINUED)

1.9. Leases (continued)

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 22) 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 5 Leases (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 as 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 24).

Right-of-use assets

Lease payments included in the measurement of the right-of-use asset comprise the initial amount of the corresponding lease liability.

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.

For right-of-use assets which are depreciated over their useful lives, the useful lives are presented in the following table:

Item	Depreciation method	Average useful life
Buildings	Straight line	5 years
Motor vehicles	Straight line	5 years
Routers and handsets	Straight line	3 years

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.

1.9. Leases (continued)

Leases (Comparatives under IAS 17)

Finance leases as lessee

Leases are classified as finance leases (installment sale liabilities) whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Consolidated Statement of Financial Position as a finance lease liability.

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

Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Operating leases – lessee

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

1.10. 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.

1.11. Revenue

The Group recognises revenue from the following major sources:

Sale of goods:

- Equipment sales.

Rendering of services:

- Connection fees;
- Airtime; and
- 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 judgment 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.

1.11. Revenue (continued)

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 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 was 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 20 of the Consolidated Annual Financial Statements.

1.12. 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).

1.13. 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.

ACCOUNTING POLICIES (CONTINUED)

1.14. 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 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.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.15. 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.

1.16. Segment Report

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 that is evaluated regularly by the Chief Operating Decision Maker ("CODM"). The Chief Executive Officer is the Chief Operating Decision Maker of the Group.

Based on a consideration of the above, it can be concluded that the Group does not have different operating segments. The business is conducted in South Africa and is managed centrally and has no branches. The Group is managed as one operating unit.

- The requirements of an operating segment is that the results of the component of the entity is regularly reviewed by the CODM. However, the nature of the services is such that the internal reporting thereof to the CODM is allocated as a single operating segment due to the similarity in nature, process, clients, method of delivery and regulatory environment;
- The nature of Group's business is that of a service provider. The services provided are performed from a single source technology basis. The services provided are billed to single customers charged on the type of service provided. These range from fixed line services to cellular services as well as to data and VOIP services. The services provided are not separately run segments or divisions and are managed from a single source, employee and asset base perspective; and
- The asset and liabilities used in providing the services are indistinguishable from each other and the same technology platforms are used in providing all services to a customer. It is therefore impossible to obtain specific discernible financial information except for the billing raised specific to the service which has been charged.

This information is presented as such to the CODM.

All revenues from external customers originate in South Africa. Our geographical locations of operations are therefore restricted to a single area, namely South Africa.

No single customer makes up more than 10% of the Group's revenue.

1.17. Earnings per share

The calculation of earnings per share 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. Headline earnings per share is calculated in accordance with circular 1/2019 issued by the South African Institute of Chartered Accountants.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

2. Changes in accounting policy

The Consolidated Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards and the JSE Listings Requirements on a basis consistent with the prior year except for the adoption of the following new or revised standards.

Application of IFRS 16 Leases

In the current year, the Group has adopted IFRS 16 - Leases (as issued by the IASB in January 2016) with the date of initial application being 01 July 2019. IFRS 16 replaces IAS 17 - Leases, IFRIC 4 - Determining whether an Arrangement contains a Lease, SIC 15 - Operating Leases - Incentives and SIC 27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in the accounting policy for leases. The impact of the adoption of IFRS 16 on the Group's Consolidated Annual Financial Statements is described below.

The Group has applied the practical expedient available in IFRS 16 which provides that for contracts which exist at the initial application date, an entity is not required to reassess whether they contain a lease. This means that the practical expedient allows an entity to apply IFRS 16 to contracts identified by IAS 17 and IFRIC 4 as containing leases and to not apply IFRS 16 to contracts that were not previously identified by IAS 17 and IFRIC 4 as containing leases.

IFRS 16 has been adopted by applying the modified retrospective approach whereby the comparative figures are not restated. No cumulative adjustments were required to be recognised in retained earnings as at 01 July 2019.

Leases where Group is lessee

Leases previously classified as operating leases

The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases in terms of IAS 17. Where necessary, they have been applied on a lease by lease basis:

- Leases which were expiring within 12 months of 01 July 2019 were treated as short term leases with remaining lease payments recognised as an expense on a straight-line basis or another systematic basis which is more representative of the pattern of benefits consumed.

There were no operating leases held which were not expiring within 12 months from 1 July 2019.

Leases previously classified as finance leases

For leases that were classified as finance leases applying IAS 17, the Group measured the carrying amount of the right-of-use asset and the lease liability at the date of initial application as the carrying amount of the leased asset and lease liability immediately before that date measured applying IAS 17. For those leases, the Group accounts for the right-of-use asset and the lease liability applying IFRS 16 from the date of initial application.

Impact on financial statements

On transition to IFRS 16, the Group reclassified R1 113 418 of right-of-use assets from property, plant and equipment. There were no additional lease liabilities recognised.

When measuring lease liabilities, the Group discounted lease payments using incremental borrowing rates of between 8.75% and 13.5% at 01 July 2019.

Reconciliation of previous operating lease commitments to lease liabilities under IFRS 16

Previous operating leases were contracted on a month to month rental basis and, accordingly, no operating lease commitment was disclosed in the prior year.

3. New Standards and Interpretations

3.1. 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 01 July 2020 or later periods:

Onerous Contracts - Cost of Fulfilling a Contract - Amendments to IAS 37

The amendment defines the costs that are included in the cost of fulfilling a contract when determining the amount recognised as an onerous contract. It specifies that the cost of fulfilling a contract comprises the costs that relate directly to the contract.

These are both the incremental costs of fulfilling the contract as well as an allocation of other costs that relate directly to fulfilling contracts.

The effective date of the amendment is for years beginning on or after 01 January 2022.

The Group expects to adopt the amendment for the first time in the 2023 Consolidated Annual Financial Statements.

It is unlikely that the amendment will have a material impact on the Group's Consolidated Annual Financial Statements.

Property, Plant and Equipment - Proceeds before Intended Use - Amendments to IAS 16

The amendment relates to examples of items which are included in the cost of an item of property, plant and equipment. Prior to the amendment, the costs of testing whether the asset is functioning properly were included in the cost of the asset after deducting the net proceeds of selling any items which were produced during the test phase. The amendment now requires that any such proceeds and the cost of those items must be included in profit or loss in accordance with the related standards.

Disclosure of such amounts in now specifically required.

The effective date of the amendment is for years beginning on or after 01 January 2022.

The Group expects to adopt the amendment for the first time in the 2023 Consolidated Annual Financial Statements.

It is unlikely that the amendment will have a material impact on the Group's Consolidated Annual Financial Statements.

Annual Improvement to IFRS Standards 2018 - 2020 - Amendments to IFRS 9

The amendment concerns fees in the '10 percent' test for derecognition of financial liabilities. Accordingly, in determining the relevant fees, only fees paid or received between the borrower and the lender are to be included.

The effective date of the amendment is for years beginning on or after 01 January 2022.

The Group expects to adopt the amendment for the first time in the 2023 Consolidated Annual Financial Statements.

It is unlikely that the amendment will have a material impact on the Group's Consolidated Annual Financial Statements.

3.1. Standards and interpretations not yet effective (continued)

Classification of Liabilities as Current or Non-Current - Amendment to IAS 1

The amendment changes the requirements to classify a liability as current or non-current. If an entity has the right at the end of the reporting period to defer settlement of a liability for at least twelve months after the reporting period, the liability is classified as non-current.

If this right is subject to conditions imposed on the entity, the right only exists if, at the end of the reporting period, the entity has complied with those conditions.

In addition, the classification is not affected by the likelihood that the entity will exercise its right to defer settlement. Therefore, if the right exists, the liability is classified as non-current even if management intends or expects to settle the liability within twelve months of the reporting period. Additional disclosures would be required in such circumstances.

The effective date of the amendment is for years beginning on or after 01 January 2023.

The Group expects to adopt the amendment for the first time in the 2024 Consolidated Annual Financial Statements.

It is unlikely that the amendment will have a material impact on the Group's Consolidated Annual Financial Statements.

Covid-19 - Related Rent Concessions - Amendment to IFRS 16

The Covid-19 pandemic has resulted in an amendment to IFRS 16 Leases. Lessees may elect not to assess whether a rent concession that meets the conditions in Paragraph 46B is a lease modification. If this election is applied, any change in lease payments must be accounted for in the same way as a change would be accounted for if it were not a lease modification. This practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if:

- The change in lease payments results in revised consideration for the lease that is substantially the same as or less than the consideration for the lease immediately preceding the change;
- Any reduction in lease payment affects only payments originally due on or before 30 June 2021; and
- There is no substantive change to other terms and conditions of the lease.

The effective date of the amendment is for years beginning on or after 01 June 2020.

The Group expects to adopt the amendment for the first time in the 2021 Consolidated Annual Financial Statements.

It is unlikely that the amendment will have a material impact on the Group's Consolidated Annual Financial Statements.

IAS 1 Presentation of Financial Statements - Disclosure initiative

The amendment clarifies and aligns the definition of 'material' and provides guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The effective date of the amendment is for years beginning on or after 01 January 2020.

The Group expects to adopt the amendment for the first time in the 2021 Consolidated Annual Financial Statements.

It is unlikely that the amendment will have a material impact on the Group's Consolidated Annual Financial Statements.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Disclosure initiative

The amendment clarifies and aligns the definition of 'material' and provides guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The effective date of the amendment is for years beginning on or after 01 January 2020.

The Group expects to adopt the amendment for the first time in the 2021 Consolidated Annual Financial Statements.

It is unlikely that the amendment will have a material impact on the Group's Consolidated Annual Financial Statements.

4. Property, plant and equipment

	2020			2019		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	474 240	(3 514)	470 726	673 082	(545 069)	128 013
Motor vehicles	505 705	(257 810)	247 895	1 180 170	(744 122)	436 048
Office equipment	-	-	-	270 349	(210 539)	59 810
IT equipment	429 241	(204 285)	224 956	1 581 177	(1 284 513)	296 664
Routers and handsets	33 121 296	(26 537 963)	6 583 333	40 954 483	(31 705 450)	9 249 033
Total	**34 530 482**	**(27 003 572)**	**7 526 910**	**44 659 261**	**(34 489 693)**	**10 169 568**

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Reclassified to right-of-use assets	Disposals	Depreciation	Total
Furniture and fixtures	128 013	474 240	-	(128 013)	(3 514)	470 726
Motor vehicles	436 048	181 099	(147 177)	(166 964)	(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**	**(1 113 418)**	**(294 977)**	**(5 015 053)**	**7 526 910**

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	148 051	-	-	(20 038)	128 013
Motor vehicles	117 255	346 998	-	(28 205)	436 048
Office equipment	65 514	4 495	-	(10 199)	59 810
IT equipment	338 865	101 302	(9 884)	(133 619)	296 664
Routers and handsets	14 071 651	2 161 667	(96 076)	(6 888 209)	9 249 033
	14 741 336	**2 614 462**	**(105 960)**	**(7 080 270)**	**10 169 568**

Property, plant and equipment encumbered as security

	2020	2019
The following assets have been encumbered as security for the secured long-term borrowings (Note 5):		
Routers and handsets	-	873 339
Vehicles	-	131 185

No significant outstanding capital commitments have been entered into by the Group during the current financial period which require disclosure.

5. Right-of-use assets and leases (Group as lessee)

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

- Buildings - 5 years. There are 56 months remaining on the lease at year end. Monthly repayments are R161 825 and the interest rate is 8,75%;
- Motor vehicles - 3 years. There are 14 months remaining on the lease at year end. Monthly repayments are R5 572 (2019: R5 572) and the interest rate is 13,5% (2019: 13.5%); and
- Routers and handsets - 36 to 60 months. There are an average of 36 months remaining on the leases at year end. Monthly repayments are R46 375 (2019: R23 882) and the interest rate is between 8,75% and 13,5% (2019: 10.75% to 13.25%).

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 are no leases to which the Group is committed to which have not yet commenced.

Short term leases relate to premises and equipment.

The Group adopted IFRS 16 for the first time in the current financial period. Comparative figures have been accounted for in accordance with IAS 17 and, accordingly, any assets recognised under finance leases in accordance with IAS 17 for the comparative period have been recognised as part of property, plant and equipment.

The information presented in this note for right-of-use assets therefore only includes the current period.

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

Reconciliation of right-of-use assets - 2020

	Opening balance	Reclassified from property, plant and equipment	Additions	Depreciation	Carrying value
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**

Other disclosures	2020	2019
Interest expense on lease liabilities	391 969	-
Expenses on short term leases included in operating expenses	1 565 671	-
Total cash outflow from leases	2 654 277	-

At 30 June 2020, the Group does not have any commitments for short term leases (2019: R nil).

5. Right-of-use assets and leases (Group as lessee) (continued)

Lease liabilities

The maturity analysis of lease liabilities is as follows

	2020	2019
Within one year	2 716 647	554 620
Two to five years	9 559 391	942 035
	12 276 038	1 496 655
Less finance charges component	(2 254 732)	(338 530)
	10 021 306	**1 158 125**
Non-current liabilities	8 256 118	766 556
Current liabilities	1 765 188	391 569
	10 021 306	**1 158 125**

Comparative information for lease liabilities under IAS 17

The information presented for lease liabilities for the comparative period has been prepared on the basis of IAS 17 and therefore only represents the liability as at that date for finance leases and not for operating leases. In addition to the information presented in the table above, IAS 17 required an entity to present a reconciliation of the present value of lease payments for finance leases. This information is presented in the table which follows:

Present value of minimum lease payments due	
– within one year	391 569
– in second to fifth year inclusive	766 556
	1 158 125

Exposure to liquidity risk

Refer to Note 35 Financial instruments and risk management for the details of liquidity risk exposure and management.

Fair value of lease liabilities

The fair value of lease liabilities approximates their carrying amount due to the application of market related interest rates in the measurement of the carrying value.

6. Goodwill

	2020			2019		
	Cost	Accumulated impairment	Carrying value	Cost	Accumulated impairment	Carrying value
Goodwill	3 286 779	-	3 286 779	3 286 779	-	3 286 779

Reconciliation of goodwill - 2020	Opening balance	Total
Goodwill	3 286 779	3 286 779

Reconciliation of goodwill - 2019	Opening balance	Total
Goodwill	3 286 779	3 286 779

The carrying amount of Goodwill relates to R2 686 779 for Catalytic Connections (Pty) Ltd acquired on 1 March 2010 and R600 000 for Spice Telecom (Pty) Ltd acquired on 1 January 2018.

6. Goodwill (continued)

Assessment of recoverable amounts

During the financial year, the Group assessed the recoverable amount of goodwill from the acquisition of Catalytic Connections (Pty) Ltd and Spice Telecom (Pty) Ltd. The assessment determined that the goodwill allocated to the cash-generating units was not impaired. The accounting policy that has been applied in assessing impairment of goodwill is set out in Note 1.3. No impairment was recognised both in the current and previous financial periods.

The key assumptions of the cash flow forecast used to determine the present value of the future cash flows from the cash-generating units 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 minute and fixed monthly charges are kept constant with no increases applied; and
- Estimated cost of sales increases in line with the number of port increases.

	2020	2019
Weighted average rates (as percentage): Catalytic Connections (Pty) Ltd		
Discount rate	14.26	13.25
Growth rate	4.50	5.50
Weighted average rates (as percentage): Spice Telecom (Pty) Ltd		
Discount rate	15.26	14.25
Growth rate	4.50	6.50

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 was used in discounting the projected cash flows over a five year period.

Sensitivity

The value of a 1% increase in the discount and 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.

7. Intangible assets

	2020			2019		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	4 174 209	(2 555 036)	1 619 173	4 174 209	(1 754 212)	2 419 997
Licences - Indefinite useful life	300 000	-	300 000	300 000	-	300 000
Total	**4 474 209**	**(2 555 036)**	**1 919 173**	**4 474 209**	**(1 754 212)**	**2 719 997**

Reconciliation of intangible assets - 2020	Opening balance	Additions	Amortisation	Total
Computer software	2 419 997	-	(800 824)	1 619 173
Licences - Indefinite useful life	300 000	-	-	300 000
	2 719 997	**-**	**(800 824)**	**1 919 173**

Reconciliation of intangible assets - 2019	Opening balance	Additions	Amortisation	Total
Computer software	1 080 409	1 652 682	(313 094)	2 419 997
Licences - Indefinite useful life	300 000	-	-	300 000
	1 380 409	**1 652 682**	**(313 094)**	**2 719 997**

Pledged as security

No intangible assets were pledged as security.

Assessment of indefinite useful life

The Communications Network Services (ECNS) licenses 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 useful 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 identical to those disclosed in Note 6 (Goodwill) which forms part of the annual impairment assessment.

Contractual commitments

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

8. Interests in subsidiaries

The following table lists the entities which are controlled directly by TeleMasters Holdings Limited and the carrying amounts of the investments in TeleMasters Holdings Limited's separate financial statements.

Name of company	Held by	% Voting power 2020	% Voting power 2019	Carrying amount in Holding Company 2020	Carrying amount in Holding Company 2019
Catalytic Connections (Pty) Ltd	TeleMasters Holdings Limited	100.00 %	100.00 %	1 800 000	1 800 000
Spice Telecom (Pty) Ltd	TeleMasters Holdings Limited	100.00 %	100.00 %	600 000	600 000
				2 400 000	2 400 000

9. Investments in associate

The following table lists all of the associates in the Group:

Name of company	Held by	% Ownership interest 2020	% Ownership interest 2019	Carrying amount 2020	Carrying amount 2019
ConexLink (Pty) Ltd	TeleMasters Holdings Limited	25.00 %	- %	25	-

The Group acquired a 25% share in ConexLink (Pty) Ltd as at 1 June 2020. The country of incorporation and principal place of business is South Africa. ConexLink (Pty) Ltd is involved in providing data centre environment solutions.

Summarised financial information of associate

Summarised Statement of Profit or Loss and Other Comprehensive Income	ConexLink (Pty) Ltd	
	2020	2019
Operating expenses	(386 439)	-
Loss from continuing operations	(386 439)	-
Total comprehensive loss	**(386 439)**	-

Summarised Statement of Financial Position	ConexLink (Pty) Ltd	
	2020	2019
Assets		
Non-current	158 865	-
Current	695 570	-
Total assets	**854 435**	-
Liabilities		
Non-current	2 706 798	-
Current	17 825	-
Total liabilities	**2 724 623**	-
Total net liabilities	**(1 870 188)**	-

Reconciliation of net liabilites to equity accounted investments in associate	ConexLink (Pty) Ltd	
	2020	2019
Interest in associates at percentage ownership	(467 547)	-
Cumulative unrecognised losses	96 610	-
Pre-acquisition losses	370 962	-
Carrying value of investment in associate	25	-
Investment at beginning of period	-	-
Acquisitions	25	-
Investment at end of period	25	-

The financial year end of ConexLink (Pty) Ltd is February. Financial statements as at 30 June 2020 were utilised to equity account for the associate. There are no restrictions on the ability of the associate to transfer funds to the Group.

The Group has not recognised its share of the losses of ConexLink (Pty) Ltd as the Group has no obligation for any losses of the associate. The R25 carrying value is the Group's interest in the share capital of the associate. The accumulated unrecognised losses for the current year amount to R96 610.

10. Loans to associate

Associate	2020	2019
ConexLink (Pty) Ltd	2 700 374	-

The loan is unsecured and does not bear interest. There are no fixed terms of repayment. However, the loan amounts are 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 has taken into account the financial position as well as the future prospects of the counterparty including future contracts that are forecast to be profitable. The credit quality of the loan receivable is considered to be high. Based on these factors, no credit loss allowance has been recognised.

The maximum exposure to credit risk is the gross carrying amount of the loan. The Group does not hold collateral or other credit enhancements against Group loans receivable.

Fair value of loans to associate

The fair value of loans to associates approximates their carrying amount, as the impact of any discounting to the present value at 30 June 2020 is not considered significant to the Group.

11. Deferred tax

Deferred tax liability

	2020	2019
Lease liabilities	(6 048)	-
Prepayments	(465 009)	(1 438 955)
Licences	(84 000)	(84 000)
Total deferred tax liability	**(555 057)**	**(1 522 955)**
Deferred tax asset		
Allowances for credit losses	288 809	905 517
Lease liabilities	-	12 518
Staff bonuses	-	41 626
Employee related accruals	134 179	151 560
Deferred income	24 930	56 527
Right-of-use assets	74 735	-
Deferred tax balance from temporary differences other than unused tax losses	522 653	1 167 748
Tax losses available for set off against future taxable income	383 483	562 106
Total deferred tax asset	**906 136**	**1 729 854**

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

	2020	2019
Deferred tax liability	(555 057)	(1 522 955)
Deferred tax asset	906 136	1 729 854
Total net deferred tax asset	**351 079**	**206 899**

11. Deferred tax (continued)

	2020	2019
Reconciliation of deferred tax asset		
At beginning of year	206 899	(897 146)
Increase / (decrease) in tax losses available for set off against future taxable income	(178 625)	129 542
Reversing temporary difference on employee related accruals	(17 380)	(40 587)
Reversing temporary differences on allowance for credit loss	(616 708)	(131 118)
Reversing temporary differences on prepayments	973 947	1 073 014
(Reversing) / originating temporary differences on staff bonuses	(41 626)	4 148
(Originating) / reversing temporary differences on lease liabilities	(18 566)	12 519
(Reversing) / originating temporary differences on deferred income	(31 597)	56 527
Originating temporary differences on right-of-use assets	74 735	-
	351 079	**206 899**

Recognition of deferred tax asset

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

Unrecognised deferred tax asset

	2020	2019
Unused tax losses not recognised as deferred tax assets	-	1 257 652

12. Prepayments

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

Reconciliation of prepayments - 2019	Opening balance	Additions	Realised to profit or loss	Total
Prepaid sales commission	8 971 320	1 659 659	(5 491 851)	5 139 128

	2020	2019
Non-current assets	-	1 167 505
Current assets	1 660 746	3 971 623
	1 660 746	**5 139 128**

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 accounting policy 1.15.

13. Inventories

	2020	2019
Routers and handsets	285 053	366 321

14. Trade and other receivables

	2020	2019
Financial instruments:		
Trade receivables	3 633 724	7 176 345
Loss allowance	(1 375 280)	(4 311 986)
Trade receivables at amortised cost	2 258 444	2 864 359
Deposits	76 926	78 176
Accruals for revenue	1 529 391	2 320 032
Other receivable	-	8 000
Non-financial instruments:		
VAT	878 303	749 035
Total trade and other receivables	**4 743 064**	**6 019 602**
Financial instrument and non-financial instrument components of trade and other receivables		
At amortised cost	3 864 761	5 270 567
Non-financial instruments	878 303	749 035
	4 743 064	**6 019 602**

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 Note 19). 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.

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

The average credit period on trade receivables is 30 days (2019: 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 R nil (2019: R 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.

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.

14. Trade and other receivables (continued)

The loss allowance provision on trade receivables is determined as follows:

Expected credit loss rate:	2020 Estimated gross carrying amount at default	2020 Loss allowance (Lifetime expected credit loss)	2019 Estimated gross carrying amount at default	2019 Loss allowance (Lifetime expected credit loss)
Less than 30 days past due: 5.55% (2019: 4,74%)	2 035 422	112 898	2 153 355	102 088
31 - 60 days past due: 64.00% (2019: 25,28%)	208 912	133 722	182 380	46 109
61 - 90 days past due: 90.57% (2019: 68,46%)	116 314	105 343	10 507	7 193
91 - 120 days past due: 80.38% (2019: 86,05%)	1 273 074	1 023 316	4 830 103	4 156 596
Total	**3 633 722**	**1 375 279**	**7 176 345**	**4 311 986**

Reconciliation of loss allowances

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

	2020	2019
Opening balance in accordance with IAS 39 Financial Instruments: Recognition and Measurement	-	(4 936 356)
Adjustments upon application of IFRS 9	-	-
Opening balance in accordance with IFRS 9	**(4 311 986)**	**(4 936 356)**
Provision for impairment	-	(161 747)
Amounts written off as uncollectable	1 211 707	786 117
Reversal of impairment for trade receivables	1 725 000	-
Closing balance	(1 375 279)	**(4 311 986)**

Fair value of trade and other receivables

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

15. Cash and cash equivalents

	2020	2019
Cash and cash equivalents consist of:		
Cash on hand	3 689	996
Bank balances	3 275 054	12 496 469
Short-term deposits	12 912 261	489 995
	16 191 004	**12 987 460**

Fair value of cash and cash equivalents

The carrying amount of cash and cash equivalents approximates its fair value due to the short term nature thereof.

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:

Credit rating

	2020	2019
zaA-1+	16 187 315	12 986 464

16. Share capital

	2020	2019
Authorised		
500 000 000 Ordinary shares of 0.0001 cent each	50 000	50 000
Each share carries one vote per share and carries the right to dividends.		
Reconciliation of number of shares issued:		
At the beginning of the year	42 000 000	42 000 000

458 000 000 unissued ordinary shares are under the control of the Directors subject to the provisions of the Companies Act and the JSE Listings Requirement.

	2020	2019
Issued		
Ordinary	4 200	4 200
Share premium	5 966 262	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)
	48 059	**48 059**

17. Major and public shareholders

	% Holding	No. of shareholders	No. of shares
Shareholders holding more than 5% at year end:			
Maison D'Obsession Trust - Chairman beneficial interest	85.0	1	35 700 000
Directors and Associates	85.5	5	35 913 729
Public and staff with no restrictions on dealings	14.5	317	6 086 271
	100.0	**322**	**42 000 000**

18. Deferred income

Deferred income comprises 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 are deferred over the term of the lease agreement.

	2020	2019
Non-current liabilities	-	49 241
Current liabilities	89 036	152 643
	89 036	**201 884**

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)

19. Trade and other payables

	2020	2019
Financial instruments:		
Trade payables	1 590 735	288 269
Shareholders for dividends	758 097	83 962
Accruals	1 380 473	1 597 499
Accrued leave pay	923 543	940 614
Deposits received	49 168	573 587
Employee related payables	291 369	216 444
Staff bonus accrual	-	148 665
Non-financial instruments:		
VAT	408 956	650 707
Total trade and other payables	**5 402 341**	**4 499 747**

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.

20. Revenue

	2020	2019
Revenue from contracts with customers		
Sale of goods	1 256 760	2 781 694
Rendering of services	78 409 524	97 255 411
	79 666 284	**100 037 105**
Disaggregation and timing of revenue from contracts with customers		
The disaggregation and timing of revenue from customers is as follows:		
Sale of goods - at a point in time		
Equipment sales	1 256 760	2 781 694
Rendering of services - at a point in time		
Airtime	27 524 699	24 044 357
Connection fees	49 663 926	68 078 418
Service fees	1 220 899	5 132 636
	78 409 524	**97 255 411**
Total revenue from contracts with customers	**79 666 284**	**100 037 105**

21. Other operating gains

	2020	2019
Gains on disposals, scrappings and settlements		
Property, plant and equipment	60 153	-

22. Operating profit

	2020	2019
Operating profit for the year is stated after charging (crediting) the following, amongst others:		
Auditor's remuneration - external		
Audit fees	491 521	298 500
Remuneration, other than to employees		
Consulting and professional services	978 751	1 915 791
Secretarial services	563 637	440 555
	1 542 388	**2 356 346**
Employee costs		
Salaries, wages, bonuses and other benefits	15 286 224	17 883 415
Retirement benefit plans: defined contribution expense	195 733	-
Total employee costs	**15 481 957**	**17 883 415**
Leases		
Lease charges		
Premises	1 565 671	2 037 481
Equipment	-	147 943
	1 565 671	**2 185 424**
Short term leases	1 565 671	-
Total lease expenses	**1 565 671**	**-**
Depreciation and amortisation		
Depreciation of property, plant and equipment	5 015 053	7 080 270
Depreciation of right-of-use assets	968 483	-
Amortisation of intangible assets	800 824	313 094
Total depreciation and amortisation	**6 784 360**	**7 393 364**
Movement in credit loss allowances		
Trade and other receivables	(2 936 707)	(624 370)

23. Investment income

	2020	2019
Interest income		
Investments in financial assets:		
Bank and other cash	1 242 479	791 750

24. Finance costs

	2020	2019
Lease liabilities	391 969	425 752
Fuel cards	3 946	4 783
Other interest paid	-	285 309
Total finance costs	**395 915**	**715 844**

25. Loss on disposal of financial asset

	2020	2019
Loss on disposals		
Loss on disposal of financial asset	(2 014 819)	-

The loss on disposal of financial asset relates to a short term investment in a unit trust for high yield bond funds which was invested in and disposed of in the current year.

26. Taxation

	2020	2019
Major components of the tax expense (income)		
Current		
Local income tax - current period	79 966	288 893
Deferred		
Originating and reversing temporary differences	(144 180)	(1 104 045)
	(64 214)	**(815 152)**
Reconciliation of the tax expense		
Reconciliation between accounting profit and tax expense.		
Accounting profit	1 025 341	227 831
Tax at the applicable tax rate of 28% (2019: 28%)	287 095	63 793
Tax effect of adjustments on taxable income		
Fines paid	-	80 630
Prior year tax overprovision	-	(17 596)
Unrecognised tax losses utilised	(352 104)	(941 979)
Donations not deductible	795	-
	(64 214)	**(815 152)**

27. Earnings per share

	2020	2019
Basic earnings reconciliation		
Profit attributable to ordinary shareholders	1 089 555	1 042 983
Basic earnings	**1 089 555**	**1 042 983**
Headline earnings reconciliation		
Profit attributable to ordinary shareholders	1 089 555	1 042 983
Adjustments		
IAS 16 Gain on the disposal of property, plant and equipment	(60 153)	-
Taxation thereon	16 843	-
Headline earnings	**1 046 245**	**1 042 983**
Weighted average shares in issue	42 000 000	42 000 000
Basic and diluted basic earnings per share (cents)	2.59	2.48
Headline and diluted headline earnings per share (cents)	2.49	2.48

28. Cash generated from operations

	2020	2019
Profit before taxation	1 025 341	227 831
Adjustments for:		
Depreciation and amortisation	6 784 360	7 393 364
(Gains) losses on disposals of property, plant and equipment	(60 153)	105 988
Interest income	(1 242 479)	(791 750)
Finance costs	395 915	715 844
Net movements in credit loss allowances	(2 936 707)	(624 370)
Loss on disposal of financial asset	2 014 819	-
Changes in working capital:		
Inventories	81 268	261 051
Trade and other receivables	4 213 220	3 251 038
Prepayments	3 478 382	3 832 192
Trade and other payables	228 459	(3 466 880)
Deferred income	(112 848)	(260 329)
	13 869 577	**10 643 979**

29. Tax paid

	2020	2019
Balance at beginning of the year	25 368	(340 585)
Current tax for the year recognised in profit or loss	(79 966)	(288 893)
Balance at end of the year	(31 565)	(25 368)
	(86 163)	**(654 846)**

30. Changes in liabilities arising from financing activities

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**

Reconciliation of liabilities arising from financing activities - 2019

	Opening balance	New leases	Total non-cash movements	Cash flows	Closing balance
Finance lease liabilities	3 052 426	1 023 079	1 023 079	(2 917 380)	1 158 125
Total liabilities from financing activities	**3 052 426**	**1 023 079**	**1 023 079**	**(2 917 380)**	**1 158 125**

31. Dividends paid

	2020	2019
Balance at beginning of the year	(83 962)	(83 962)
Dividends	(3 192 000)	(1 680 000)
Balance at end of the year	758 097	83 962
Dividends paid	**(2 517 865)**	**(1 680 000)**

32. Contingencies

A settlement was reached with Huge Group Limited ("Huge") in respect of a long-outstanding dispute. This had a once-off positive earnings and cash flow impact of R1,72m.

Other than that disclosed above, there are currently no contingent liabilities 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.

33. Related parties

Relationships

Associates	Refer to Note 9
Members of key management	Voigt, Jaco-Muller Vosloo, Jackie Michael
Non-Executive Directors	Bate, David John (from 17 January 2020) Erasmus, Marthinus Gerhardus Pretorius, Mario Brönn Steinberg, Willem Frederik Tappan, Mariette
Entities in which a member of key management and Non-Executive Directors have beneficial interest:	
Pretorius, Mario Brönn	Snowy Owl Properties 82 (Pty) Ltd TeleMasters (Pty) Ltd Zero Plus Trading 194 (Pty) Ltd
Topham, Brandon Rodney	TAG Consulting (Pty) Ltd
Voigt, Jaco-Muller	Perfectworx Consulting (Pty) Ltd Contineo Virtual Communications (Pty) Ltd
Vosloo, Jackie Michael	JMV Business Solutions

35. Related parties (Continued)

	2020	2019
Related party balances		
Loan accounts - owing by associate		
Conexlink (Pty) Ltd (refer Note 10)	2 700 374	-
Trade payables		
Snowy Owl Properties 82 (Pty) Ltd	-	200 574
Related party transactions		
Purchases from related parties		
Perfectworx Consulting (Pty) Ltd	3 391 092	1 733 036
Contineo Virtual Communications (Pty) Ltd	8 446 548	7 756 194
Rent paid to related parties		
Snowy Owl Properties 82 (Pty) Ltd	1 596 710	2 092 946
Sales to related parties		
Telemasters (Pty) Ltd	-	32 920
Consulting fees paid to related parties		
TAG Consulting (Pty) Ltd	-	133 171
JMV Business Solutions	1 189 500	90 000
Zero Plus Trading 194 (Pty) Ltd	361 500	449 940
Compensation to other key management		
Short-term employee benefits	1 415 242	2 409 471

34. Directors' emoluments

Executive

2020	Emoluments
Voigt, Jaco-Muller	1 440 000
Vosloo, Jackie Michael	1 189 500
	2 629 500

2019	Emoluments
Voigt, Jaco-Muller	1 440 000
Vosloo, Jackie Michael	90 000
Topham, Brandon Rodney	280 000
	1 810 000

Non-Executive

2020	Directors' fees
Bate, David John	63 000
Erasmus, Marthinus Gerhardus	189 000
Pretorius, Mario Brönn	829 261
Steinberg, Willem Frederik	189 000
Tappan, Mariette	189 000
	1 459 261

2019	Directors' fees
Erasmus, Marthinus Gerhardus	189 000
Pretorius, Mario Brönn	399 996
Steinberg, Willem Frederik	189 000
Tappan, Mariette	189 000
	966 996

35. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2020	Note(s)	Amortised cost	Fair value
Loans to associate	10	2 700 374	2 700 374
Trade and other receivables	14	3 864 761	3 864 761
Cash and cash equivalents	15	16 191 004	16 191 004
		22 756 139	**22 756 139**

2019	Note(s)	Amortised cost	Fair value
Trade and other receivables	14	5 270 567	5 270 567
Cash and cash equivalents	15	12 987 460	12 987 460
		18 258 027	**18 258 027**

35. Financial instruments and risk management (continued)

Categories of financial liabilities

2020	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	19	4 993 385	-	4 993 385	4 993 385
Lease obligations	5	-	10 021 306	10 021 306	10 021 306
		4 993 385	**10 021 306**	**15 014 691**	**15 014 691**

2019	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	19	3 849 040	-	3 849 040	3 849 040
Lease obligations	5	-	1 158 125	1 158 125	1 158 125
		3 849 040	**1 158 125**	**5 007 165**	**5 007 165**

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, whilst concurrently ensuring that at all times its credit worthiness is considered to be at least investment grade. Management reviews the capital structure, analyses interest rate exposure and re-evaluates 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

The Group is exposed to risks from its use of financial instruments. This note describes the Group's objective, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these Consolidated Annual Financial Statements.

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 the 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.

35. Financial instruments and risk management (continued)

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; and
- Lease liabilities.

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.

35. Financial instruments and risk management (continued)

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 trade and other receivables (Note 14), loans to associate (Note 10) and cash and cash equivalents (Note 15). The management of credit risk exposure is detailed in the individual notes.

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

		2020			2019		
	Note(s)	Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Loans to associate	10	2 700 374	-	2 700 374	-	-	-
Trade and other receivables	14	5 240 041	(1 375 280)	3 864 761	9 582 553	(4 311 986)	5 270 567
Cash and cash equivalents	15	16 187 315	-	16 187 315	12 986 464	-	12 986 464
		24 127 730	**(1 375 280)**	**22 752 450**	**22 569 017**	**(4 311 986)**	**18 257 031**

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.

2020	Note(s)	Payable within one year or on demand	Payable within two to five years	Total	Carrying amount
Non-current liabilities					
Lease liabilities	5	-	9 559 391	9 559 391	8 256 118
Current liabilities					
Trade and other payables	19	4 993 385	-	4 993 385	4 993 385
Lease liabilities	5	2 716 647	-	2 716 647	1 765 188
		7 710 032	**9 559 391**	**17 269 423**	**15 014 691**

35. Financial instruments and risk management (continued)

2019	Note(s)	Payable within one year or on demand	Payable within two to five years	Total	Carrying amount
Non-current liabilities					
Lease liabilities	5	-	942 035	942 035	766 556
Current liabilities					
Trade and other payables	19	3 849 047	-	3 849 047	3 849 040
Lease liabilities	5	554 620	-	554 620	391 569
		4 403 667	**942 035**	**5 345 702**	**5 007 165**

Interest rate risk

The Group also holds cash and cash equivalents which earn interest at variable rates. Consequently, the Group is exposed to cash flow interest rate risk. Excess funds are deposited with reputable financial institutions with preferred interest rates. This ensures that the Group earns the most advantageous rates of interest available.

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 2020 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.

At 30 June 2020, if interest rates on Rand denominated borrowings had been 1% higher / lower with all other variables held constant, post-tax profit for the year would have been R44 422 (2019: R85 164) 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.

36. Going concern

The Consolidated Annual Financial Statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

37. Covid-19

The Board supports the actions taken by the South African Government with regards to the Covid-19 pandemic. Our objective during this time was to support our customers whilst safeguarding our employees. ICT and infrastructure support services were classified as essential business services. Our customer support and sales staff worked remotely and our Solution Deployment Catalysts were able to attend to any equipment issues.

Covid-19 has not had a significant impact on the Group and is not expected to impact on the Group as a going concern in the foreseeable future.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)

38. 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 2020:

Acquisition of Contineo Virtual Communications (Pty) and Perfectworx Consulting (Pty) Ltd

The announced, separate but indivisible acquisitions of the entire shareholding of Contineo Virtual Communications (Pty) Ltd from Voigt and Pieton for a maximum purchase consideration of R15 150 000 (fifteen million one hundred and fifty thousand Rand) and the entire shareholding of Perfectworx Consulting (Pty) Ltd from Voigt for a maximum purchase consideration of R1 350 000 (one million three and fifty thousand Rand) (together "the Acquisitions") were concluded with effect from 1 July 2020 and an aggregate of 8 500 000 new shares were issued to Pieton and Voigt in settlement of the initial purchase consideration payable for the Acquisitions.

Contineo is a leading provider of world-class wholesale Cloud Communications solutions in South Africa. Perfectworx is a networking systems integrator specialising in next generation IP voice technologies. Contineo and Perfectworx have been key suppliers to TeleMasters since 2010, providing 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 complete digital solutions offering to its customers. The TeleMasters Holdings Limited Board is of the opinion that the acquisition of these key suppliers will secure the Group's ability to continue to provide a unified and competitive product offering to its customers.

The financial statements of the acquirees are not yet final at the date of this report and accordingly the goodwill and fair value of assets and liabilities have not been disclosed.

Dividends

Dividend number 49 of 1,60 cents per share was declared on 30 September 2020 and is payable to all Shareholders recorded in the share register of the Company at the close of business on 23 October 2020.

SHAREHOLDERS INFORMATION

SHAREHOLDERS DIARY

ANNUAL REPORT APPROVED	15 October 2020
ANNUAL REPORT DISPATCHED	30 October 2020
ANNUAL GENERAL MEETING	4 December 2020

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given:

That the Annual General Meeting of Shareholders of the Company will be held in Maxwell Office Park, Magwa Crescent, Waterfall City, Johannesburg, at 09:30 on 4 December 2020. 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 is Friday, 27 November 2020. The last day to trade in order to be eligible to vote at the AGM will accordingly be Tuesday, 24 November 2020. 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 2020, 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 50% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at the Annual General Meeting and entitled to exercise voting rights on the resolution is required.

2. Ordinary resolution number 2 – Director appointment

"RESOLVED THAT the appointment of Dr DJ Bate as an Independent Non-Executive Director by the Board on 17 January 2020 is approved."

A curriculum vitae for Dr DJ Bate is set out under Directors' and Executive Managers' Profiles.

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

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

"RESOLVED THAT Mr MB Pretorius, 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 MB Pretorius is set out under Directors' and Executive Managers' Profiles.

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

4. Ordinary resolution number 4 – Director retirement and re-election

"RESOLVED THAT Mr MG Erasmus, 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 MG Erasmus is set out under Director's and Executive Managers' Profiles.

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

5. Ordinary resolution number 5 – Directors' remuneration

"RESOLVED THAT the remuneration paid to executive and non-executive Directors for the financial year ending 30 June 2020 as disclosed in Note 34 of the Consolidated Annual Financial Statements be and is hereby approved."

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

6. Ordinary resolution number 6 – Appointment of auditors and remuneration

"RESOLVED THAT the re-appointment of Nexia SAB&T as the auditors, with Mr Aneel Darmalingam 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 50% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at the Annual General Meeting and entitled to exercise voting rights on the resolution is required.

7. Ordinary resolution number 7 – 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 Annual General Meeting 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 50% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at the Annual General Meeting and entitled to exercise voting rights on the resolution is required.

8. Ordinary resolution number 8 – General authority to allot and issue shares for cash

"RESOLVED THAT, subject to the approval of 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 25 250 000 (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 75% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at the Annual General Meeting and entitled to exercise voting rights on the resolution is required.

9. Ordinary resolution number 9 – 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 Annual General Meeting."

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

10. Ordinary resolution number 10 – Approval of dividends declared and paid

"RESOLVED THAT the dividends as disclosed in Note 31 of the Consolidated Annual Financial Statements, totaling 7,6 cents per share declared and paid by the Directors for the financial year ending 30 June 2020 be and are hereby approved."

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

11. Ordinary resolution number 11 – Appointment of Mr MG Erasmus as member and Chair of the Audit & Risk Committee

"RESOLVED THAT, subject to the approval of ordinary resolution number 4, the appointment of MG Erasmus as a member and Chair of the Audit & Risk Committee of the Company for the forthcoming year ending 30 June 2021 and until the next AGM be and is hereby approved."

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

12. Ordinary resolution number 12 – Appointment of Ms M Tappan as member of the Audit & Risk Committee

"RESOLVED THAT Ms M Tappan be and is hereby appointed as a member of the Audit & Risk Committee of the Company for the forthcoming year ending 30 June 2021 and until the next AGM be and is hereby approved."

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

13. Ordinary resolution number 13 – Appointment of Mr WF Steinberg as member of the Audit & Risk Committee

"RESOLVED THAT Mr WF Steinberg be and is hereby appointed as a member of the Audit & Risk Committee of the Company for the forthcoming year ending 30 June 2021 and until the next AGM be and is hereby approved."

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

14. Ordinary resolution number 14 – Appointment of Dr DJ Bate as member of the Audit & Risk Committee

"RESOLVED THAT, subject to the approval of ordinary resolution number 2, Dr DJ Bate be and is hereby appointed as a member of the Audit & Risk Committee of the Company for the forthcoming year ending 30 June 2021 and until the next AGM be and is hereby approved."

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

NOTICE OF THE
ANNUAL GENERAL MEETING (Continued)

15. Ordinary resolution number 15 – 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 50% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at the Annual General Meeting and entitled to exercise voting rights on the resolution is required.

16. 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.

17. 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 & Risk Committee) as set out in the Consolidated Annual Financial statements for the year ended 30 June 2020 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.

18. Special resolution number 1 – Non-executive Directors' remuneration

"RESOLVED THAT the Non-executive Directors' remuneration for the year commencing 1 July 2020, which shall not exceed the amounts detailed below, excluding VAT, be and is hereby approved."

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

As from 1 August 2020 until 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 75% of Shareholders present and eligible to vote at the general meeting in terms of Section 66(9) of the Act.

19. 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 is hereby approved between the Company and its' subsidiary."

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 75% of Shareholders eligible to vote at the general meeting in terms of Section 66(9) of the Act.

NOTICE OF THE ANNUAL GENERAL MEETING (Continued)

20. 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;
- 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 17 on page 84 of the Integrated Annual Report;
- The share capital of the Company is set out in Note 16 on page 84 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 reviewed results on 1 October 2019; 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 Annual General Meeting. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest 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 Annual General Meeting; 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 Annual General Meeting.

Directors' responsibility statement

The Directors, whose names appear on page 45, 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 Annual General Meeting are required to deliver written notice to the Transfer Secretaries, Link Market Services South Africa (Pty) Limited, 13th Floor, 19 Ameshoff Street, Braamfontein, 2017 by no later than 09h30 on 2 December 2020 that they wish to participate via electronic communication at the Annual General Meeting (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 Annual General Meeting, 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, Link Market Services South Africa Pty) Limited, 13th Floor, 19 Ameshoff Street, Braamfontein, 2017 by no later than 09h30 on 2 December 2020.

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 4 December 2020 ("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 – Approval of appointment of Director – DJ Bate			
Ordinary resolution number 3 – Director retirement and re-election – MB Pretorius			
Ordinary resolution number 4 – Director retirement and re-election – MG Erasmus			
Ordinary resolution number 5 – Directors' remuneration			
Ordinary resolution number 6 – Appointment of auditors and remuneration			
Ordinary resolution number 7 – Placing un-issued shares under control of Directors			
Ordinary resolution number 8 – General authority to allot and issue shares for cash			
Ordinary resolution number 9 – Authority to execute requisite documentation			
Ordinary resolution number 10 – Approval of dividends declared and paid			
Ordinary resolution number 11 – Appointment of MG Erasmus as member & Chair of Audit & Risk Committee			
Ordinary resolution number 12 – Appointment of M Tappan as member of Audit & Risk Committee			
Ordinary resolution number 13 – Appointment of WF Steinberg as member of Audit & Risk Committee			
Ordinary resolution number 14 – Appointment of D Bate as member of Audit & Risk Committee			

FORM OF PROXY (CONTINUED)

Number of votes (one vote per share)	For	Against	Abstain
Ordinary resolution number 15 – Approval of Company Secretary			
Non-binding advisory resolution number 1 - Approval of Remuneration Policy			
Non-binding advisory resolution number 2 - Approval of Implementation report			
Special resolution number 1 – Non-executive Directors' remuneration			
Special resolution number 2 – General authority to enter into funding agreements, Provide loans or other financial assistance			
Special resolution number 3 – General authority to repurchase shares			

Signed at on 2020

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 4 December 2020 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, Link Market Services South Africa Pty) Limited, 13th Floor, 19 Ameshoff Street, Braamfontein, 2017 to be received by them by no later than 09h30 on 2 December 2020 or thereafter hand it to the Company or the Chairman of the meeting prior to the commencement of the meeting on 4 December 2020.

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 2 December 2020 or thereafter hand it to the Company or the Chairman of the meeting prior to the commencement of the meeting on 4 December 2020;
- 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