TELE Masters

TELEMASTERS HOLDINGS LIMITED

Registration Number 2006/015734/06

Integrated Report
30 September 2011

The annual financial statements included in this integrated report on pages 23 to 66 have been audited in terms of the Companies Act, No. 71 of 2008 by BDO South Africa Incorporated and were prepared by the Chief Financial Officer – Brandon Topham CA(SA) CA(England & Wales) ACMA

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TELE Masters

VISION AND VALUES

Our **VISION** is to become the undisputed and premier investment entity in the telecommunications sector, delivering sustainable, frequent and above-average returns to our shareholders and business partners.

Our **MISSION** is to meet our esteemed customers' telecommunications strategy and connectivity needs with innovative, business relevant and customer urgent solutions. We will do so in a sustainable way as an ever-evolving, 21st century company.

Corporate Values:

CANI –
Constant and Never-ending Improvement – Continuous improvement to our Intellectual Property (of internal and external partners) will enable TeleMasters to stay two steps ahead of our competition in innovation and execution.

NO MISTAKES –
We treasure the experience of learning from our mistakes but abhor mistakes that go unattended and unresolved.

EXCELLENCE ONLY IN RESULTS –
Effort alone does not guarantee results/performance – excuses are never accepted and commitment to achieve and excel is tantamount.

HIGH VALUES AND HIGH PERFORMANCE –
High focus and high energy leads to impressive execution of the TeleMasters' way.

DO IT TODAY –
We execute all tasks daily and escalate those that require more urgent attention. We do not allow the Important to become the Urgent.

LONG-TERM RELATIONSHIPS –
These provide sustainability and durability to our business. We value customers-for-life, and believe that people buy from people. Integrity and transparency are critical to all our internal and external dealings.

MEASURE AND REPORT DAILY –
This is our aim within the pre-defined competencies and whilst executing primary measurable objectives above all.

RESPONSIBILITY AND ACCOUNTABILITY –
We have an inherent dislike of surprises – even good ones. All our actions are mature, and delegation rather than abdication, is the watchword in our very flat corporate structure.

UNCONSCIOUS COMPETENCE –
All tasks are well defined and optimally structured with the view of doing business, not just doing.

CASH IS KING –
Good business practices and a tight grip on risk mean that we are able to reward all contributors and shareholders appropriately.

INTEGRATED CHAIRMAN'S AND EXECUTIVE DIRECTOR'S REPORT

The South African market has continued to grow beyond expectations with the mobile SIM penetration percentage of total population increasing to an estimated 120% by mid-2012. This offers continuing new opportunities for TeleMasters.

TeleMasters, now operating as a fully licensed Telecommunications operator, is ideally positioned to expand its market share with its differentiated multi-services offering from mobile Least Cost Routing (LCR) to fixed-line and IP based services at highly competitive pricing.

This transition to a telecommunications operator has not been an easy accomplishment and full credit must be given to those in management and throughout the organization who were instrumental and tasked with this whilst still performing their normal functions – passionately and loyally. In addition, a special thank you to the team for guiding TeleMasters through this time of transformation. We can all look back with pride on what we have accomplished in such a short period.

The transition to a Telecommunications operator has been more complex and challenging than expected. Delays were encountered in concluding key telecommunication partner agreements; integrating and stabilising new technologies; and streamlining customer site implementations. The delayed implementation had a negative effect on new revenue generation as reflected in our financial report. We have planned for an increased uptake of our new niched services offerings in the SMME and Corporate markets by the middle of next year.

The evolving regulatory landscape continues to offer new opportunities and challenges which we have to monitor carefully and adapt to. Further reductions in call termination rates will weigh negatively on our traditional business revenues; however, additional opportunities will arise such as the possibility of Carrier pre-select (where the customer has the choice of operator selection) being introduced.

TeleMasters is uniquely positioned to maximize its market positioning as a seamless carrier-neutral telecommunications provider with multiple network connectivity (mobile and fixed) options combined with its high-quality mobile and broadband service offerings. The continued expansion of local fibre-optic networks; the switch-on of the international undersea cable links; and the terrestrial based mobile coverage infrastructure expansion of BTS and related infrastructures have enhanced TeleMasters' ability to service its customers.

The management team's key areas of focus going forward will be the up-skilling of employees, sales and distribution expansion, systems upgrading, the end-to-end customer experience, quality control, cost management, new product offerings and governance.

We are happy with the group's financial results as set out in the attached financial statements and the highlights as set out in the director's report.

This has without doubt been the most challenging year in TeleMasters' history as the whole way in which business was done has been completely altered. We are confident that we will once again achieve our set goals successfully; make substantial inroads into the new markets we have entered; reward our stakeholders; and delight our customers continuously.

Stephen van der Merwe **Mario Pretorius**

DIRECTORS' AND EXECUTIVE MANAGERS' PROFILES

Mr Daniel Stephen van der Merwe
Independent Non-executive Chairman (58)

Stephen matriculated at St Alban's College, Pretoria, in 1972 and completed his accountancy articles in 1979 at Pim, Whitely & Close, and strategic planning at Henley Management College in 1996. In the 1980s and 90s Stephen held numerous financial positions, namely Financial Manager at Non Ferrous Refineries (Pty) Limited, Mintex Don (Pty) Ltd and Punchline Computers (Pty) Ltd, Chief Financial Controller of Landlock Limited and Finance Director of Advance Promotions (Pty) Ltd, amongst others.

Stephen moved into general management in the early 1990s holding a General Manager position within the sales division at National Data Systems (Pty) Ltd and then as Acting Managing Director of Unique Executive Solutions (Pty) Ltd, a software development company, before moving to MTN (Pty) Ltd in 1996. Stephen successfully re-aligned and restructured numerous divisions of M-Tel (Pty) Ltd as Head of the Dealer and Corporate Sales divisions. He held the position of General Manager Sales, as well as being the Chief Executive Officer of the Mobile Phone Store chain before being appointed as the General Manager Service Provision at MTN (Pty) Ltd. During his tenure at MTN, he was also a Non-executive of I-Talk (Pty) Ltd and before leaving MTN in 2008 he held the position of Executive of the Third Party Sales Business Unit.

Stephen has held the following directorships over the past five years:

Company	**Nature of business**
Mertech Telecommunications (Pty) Ltd	Telecommunications
New Generation SMS (Pty) Ltd	Telecommunications
iTalk (Pty) Ltd	Telecommunications
MertracInfraco (Pty) Ltd	Telecommunications
Proudafrique Trading 293 (Pty) Ltd	Telecommunications

Mr Jaco Voigt
Independent Non-executive (37)

Jaco matriculated at Outeniqua High School, George, in 1992 and 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 the pioneer of VoIP service provision in South Africa.

Jaco left VoxTelecom in 2007 to start PerfectWorx Consulting, a specialist consulting outfit 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.

Jaco has held the following directorships over the past five years:

Company	**Nature of business**
VoxTelecom Ltd	Telecommunications
Orion Ltd	Telecommunications
Contineo Virtual Communications (Pty) Ltd	Telecommunications
Bizcall (Pty) Ltd	Telecommunications
PerfectWorx Consulting (Pty) Ltd	Telecommunications

DIRECTORS' AND EXECUTIVE MANAGERS' PROFILES

Mr Vernon Ivor Beck
Independent Non-executive (40)

Vernon trained and qualified as a Chartered Accountant at an international accounting firm. He has held management positions at Nissan South Africa (Pty) Ltd, Renault South Africa and Combined Motor Holdings Ltd. He currently practises as a management and corporate finance consultant and serves as the Chairman of the Audit Committees of the Retail Motor Industry and Moto Health Care.

Vernon has held the following directorships over the past five years:

Company	Nature of business
Titan Strategic Business Optimization (Pty) Ltd	Financial consulting
Lacuna Investments 1029 CC	Dormant
Savage Corporate Advisors (Pty) Ltd	Dormant

Mr Mario Brönn Pretorius
Chief Executive Officer (54)

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 expansion of TeleMasters.

Mario has held the following directorships over the past five years:

Company	Nature of business
Bitflow Investments 266 (Pty) Ltd	Investment company
Afrisake (Non-profit company)	Non-profit organisation
Bunker Hills Investments 483 (Pty) Ltd	Investment company
Catwalk Investments 599 (Pty) Ltd	Investment company
Credit Excellence (Pty) Ltd	Credit consulting
Delos Investments (Pty) Ltd	Investment company
Duelco Investments 162 (Pty) Ltd	Investment company
Dursley Properties CC	Investment company
Expectra 51 (Pty) Ltd	Telecommunications
Expectra Connectivity (Pty) Ltd	Investment company
Expectra Direct (Pty) Ltd	Telecommunications
Expectra Online (Pty) Ltd	Telecommunications
Expectra Audits (Pty) Ltd	Telecommunications
Fluolor	Mining & distribution
Initiative SA Investments 114 (Pty) Ltd	Investment company

Company	Nature of business
Intrax Investments 212 (Pty) Ltd	Investment company
Liberty Moon Investments 15 (Pty) Ltd	Investment company
Lifehouse Investments 58 (Pty) Ltd	Commodity trading
Limosa Investments 287 (Pty) Ltd	Property development
Maison Du Cap Properties (Pty) Ltd	Property development
Ontrak Investments 178 (Pty) Ltd	Investment company
Orcom Trading 316 (Pty) Ltd	Investment company
Simplicate Solutions (Pty) Ltd	Investment company
Snowy Owl Properties 82 (Pty) Ltd	Investment company
Snowy Owl Properties 90 (Pty) Ltd	Property development
Spero Group (Pty) Ltd	Mining & distribution
Spero Sensors en Instrumente (Pty) Ltd	Mining & distribution
SperoTegnologie (Pty) Ltd	Mining & distribution
Sperolon (Pty) Ltd	Mining & distribution
TeleMasters (Pty) Ltd	Telecommunications
Telenext (Pty) Ltd	Telecommunications
Trifecta Trading 449 (Pty) Ltd	Investment company
Vazmasters (Pty) Ltd	Administrative services
Zero plus trading 194 (Pty) Ltd	Property development

Mr Brandon Rodney Topham
Chief Financial Officer (40)

Brandon is a qualified Chartered Accountant and an admitted attorney of the High Court of South Africa. He was the auditor of TeleMasters (Pty) Ltd prior to its listing and joined the Board to consolidate his business interests in lieu of his professional practice. He is also an elected councillor in the City of Tshwane Metropolitan Municipality.

Brandon has held the following directorships over the past five years:

Company	Nature of business
Brandon Topham Inc	Chartered accountants
PPS Holdings Ltd	Insurance holding
John Daniel Holdings Ltd	Investment holding
Tax Gurus CC	Tax consulting
Seesa Consulting Ltd	Labour law & BEE consulting
Seesa (Pty) Ltd	Labour law & BEE consulting
PPS Holdings Trust	Insurance & investment
Girls Best Friend Jewellery (Pty) Ltd	Diamond & jewellery retail
TAG Forensic Services (Pty) Ltd	Forensic accounting
1 Time Holdings Ltd	Airline
Southern Reinsurance Company South Africa Ltd	Investment
Aloefunds Siyobekasonke (Pty) Ltd	Reinsurance
Goodwill Park (Pty) Ltd	Employee fund administration
Bonsma Malan (Pty) Ltd	Investment
Venmore (Pty) Ltd	Investment
Computer Gurus CC	Computer retailer

CORPORATE GOVERNANCE REPORT

The Board hereby confirms its commitment to the principles of fairness, accountability, responsibility and transparency. Through this process, shareholders and other stakeholders may derive assurance that the group is being managed ethically according to prudently determined risk parameters and in compliance with generally accepted corporate practices. The Board has examined the principles and requirements of the King III Report and the JSE Listings Requirements with regard to corporate governance. Due consideration has been given as to how best to implement the recommendations within the group and as 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 judgement 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 three non-executive directors and two executive directors. The non-executive directors are not appointed under service contracts. Two of the three non-executive directors are independent.

The directors' terms of office are as follows:

Director	Date appointed	Date resigned
Brandon Rodney Topham – Non-executive/ Executive	7 September 2006	
Igenatius Godtlieb Bekker – Executive	2 October 2006	7 February 2011
Erika Rossouw – Executive	10 June 2011	27 October 2011
Mario Brönn Pretorius – Executive	2 November 2006	
Jaco Voigt – Non-executive	12 May 2008	
Vernon Ivor Beck – Non-executive independent	24 February 2009	
Daniel Stephen van der Merwe – Non-executive independent	01 April 2009	
Nolene Owen – Executive	18 January 2010	24 December 2010

The resignation of Ms N Owen was due to her family relocating to the North West Province which would render her unable to fulfil her duties as Executive Director. The resignation of Ms E Rossouw was due to the completion of her interim contract of employment. Mr BR Topham, a non-executive director, was appointed as an executive director and Chief Financial Officer (CFO) during the periods 24 December 2010 to 10 June 2011 and once again from 28 October 2011 to date.

Due to required rotation of directors, Mr DS van der Merwe and Mr VI Beck will retire as directors. Both will offer themselves for re-election at the annual general meeting of shareholders. Their curriculum vitae are set out under the Directors' and Executive Managers' 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 (hereafter the Companies Act), as amended, 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 representatives from 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, but meets more regularly due to the group's decision to release quarterly results and pay quarterly dividends which necessitates more regular meetings than originally anticipated. The directors are properly briefed in respect of special business prior to board meetings and information is timeously provided to enable them to give full consideration to all the issues being dealt with. The directors do make further enquiries where necessary.

The attendance of directors at board meetings during the year, taking into account their dates of appointment and/or resignation, was as follows:

Name	# of meetings	# of meetings attended
Daniel Stephen van der Merwe	6	5
Mario Brönn Pretorius	6	6
Igenatius Godtlieb Bekker	2	2
Nolene Owen	1	1
Brandon Rodney Topham	6	6
Erika Rossouw	2	2
Jaco Voigt	6	6
Vernon Ivor Beck	6	6

1.1 CHAIRMAN OF THE BOARD

The Chairman is elected by the Board. The Chairman is an independent, non-executive director. The Chairman was not a member of the Audit Committee and does not chair the Remuneration Committee. Due to the fact that the Company only has three non-executive directors and the change to the Companies Act requiring three non-executives to sit on the Audit Committee, the Chairman now also sits on the Audit Committee but does not chair it.

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 interest 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 their duties and responsibilities; 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 Committees but is invited to attend them.

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.

2. APPOINTMENT AND RE-ELECTION OF THE BOARD

The directors bring a wide range of experience, diversity, insight and independence of judgement on issues of strategy, performance, resources and standards of conduct to 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 following procedures are followed regarding any changes to the Board:

- Any new appointment will be considered by the Board as a whole; and
- The Company Secretary will ensure that the new director attends the JSE Alt-X Requirement for Directors, namely to attend the WITS Business School’s Directors Induction Programme, and will provide the new director with an induction session to ensure that the new Board member understands the group, the business environment and his/her role and responsibilities as a director of the Company. All the executive directors have attended this course.

In accordance with the JSE Listings Requirements, a Nomination Committee is not required, neither does the size of the group warrant the establishment of a Nomination Committee.

3. ROLE AND FUNCTION OF THE BOARD

The Memorandum of Association of the Company is the charter which governs 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 economical, 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 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 necessity of the establishment of an effective risk-based Internal Audit;
- Ensuring the integrity of the group's integrated 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 on a daily basis. 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.

4. BOARD COMMITTEES

Although the JSE Listings Requirements only provide for the establishment of an Audit Committee, the group has established a Remuneration Committee. Both of these committees report to the Board.

4.1 AUDIT COMMITTEE

The Board has established an Audit Committee as part of the Board's commitment to ensure a sound system of internal control to safeguard stakeholders' interests and the group's assets.

The Audit Committee consists of at least three non-executive directors with two being independent. The Chief Financial Officer (CFO), 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 Audit Committee are financially literate.

The Board appointed Mr V Beck as Chairman of the Audit Committee. The members of the Audit 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 Committee convened seven times during the financial period under review. The Audit Committee did meet separately with the external auditors during the year.

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

- Ensuring compliance with applicable legislation and the requirements of regulatory authorities;
- Ensuring the integrity of the group's integrated report, accounting and financial reporting systems;
- Reviewing financial reports such as the annual financial statements, interim results announcements, integrated information, price-sensitive financial information, trading statements and circulars;
- Evaluating significant judgements and reporting decisions, including changes in accounting policies, significant unusual items and materiality:
- Recommending the 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 budgets and 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 so as 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 on a 5-year rotation basis;
- Approving the external audit firm's terms of engagement;
- Approving the external auditors' 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;
- In the absence of a Risk Committee, overseeing the implementation of a risk management process by management;
- 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;
- Reporting to shareholders at the annual general meeting and internally to the Board on how the Audit Committee carried out its functions;
- Reviewing the external audit and commenting on the annual financial statements, policies and internal control;
- Ensuring compliance with the Code of Corporate Practices and Conduct; and
- Ensuring compliance with the group’s Code of Ethics.

The Audit 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 attendance of committee members at Audit Committee meetings during the year, taking into account their dates of appointment and/or resignation, was as follows:

Name	# of meetings	# of meetings attended
Vernon Ivor Beck (Chairman)	7	7
Brandon Rodney Topham	7	7
Jaco Voigt	7	7
Nolene Owen (Chief Financial Officer) – By invitation	1	1
Erika Rossouw (Chief Financial Officer) – By invitation	3	3

4.2 REMUNERATION COMMITTEE

Although a Remuneration Committee is not a JSE Listings Requirement, this was established in the interest of good corporate governance. The Remuneration Committee is appointed by the Board and its terms of reference are reviewed annually.

The Remuneration Committee consists of three non-executive directors. The Chairman is an independent non-executive director.

The Remuneration Committee met twice during the year. 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 held	# of meetings attended
Jaco Voigt (Chairman)	2	2
Vernon Ivor Beck	2	2
Daniel Stephen van der Merwe	2	2

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.

The remuneration paid to directors is determined on a cost-to-company basis and consists solely of a basic salary and certain fringe benefits for both executive and non-executive directors with the amounts being based on each director’s level of day-to-day responsibility and activity. These packages are not linked to performance 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.

The remuneration of each individual director and certain senior executives is set out in note 14 of the annual financial statements.

5. 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 September 2011 are set out in the Directors’ Report.

6. 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 chairmen of the Board and committees with work plans;
- Obtaining responses and feedback on agenda items and matters arising;
- Ensuring proper recording of board and committee meetings;
- Circulating the minutes timeously; and
- Assisting the Chairman with the annual evaluation of the Board, the directors and senior management.

The Company Secretary remained unchanged during the year under review. The Company Secretary is:

Brandon Topham Incorporated
Represented by Brandon Topham
100A Club Avenue
Waterkloof Ridge
Pretoria
0181

The Company Secretary is a related party to one of the executive directors.

All directors have access to the advice and services of the Company Secretary. The Board is of the opinion that the management of the Company Secretary has the requisite attributes, experience and qualifications to fulfil its commitments effectively. Brandon Topham Incorporated also performs the company secretarial duties for the subsidiary in the group.

7. 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. 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.

8. INTERNAL AUDIT

The group has not established an internal audit function to evaluate to group's governance processes and ethics as the Board is of the opinion that the costs thereof will outweigh the benefits derived therefrom. Furthermore, the size of the business and the established internal control system does not warrant a full time internal audit function. The Board will, in consultation with the Audit 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 the 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 Committee. This committee must ensure that effective controls are in place to mitigate identified risks and ensure an effective internal control framework.

9. 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 Committee and the group's auditors. Shareholders will be informed at the annual general meeting of the results of all voting which may have taken place.

10. CLOSED AND PROHIBITED PERIODS

The Company enforces a restricted period for dealing in shares, in terms of which the Board disallows all directors 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 has been introduced and all affected persons have access to the Company Secretary and the designated advisor should they have any doubt as to whether or not they may trade.

11. 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.

The Board has not approved a formal ethics management programme nor a Social and Ethics Committee but will do so prior to 1 May 2012.

12. GOVERNANCE OF INFORMATION TECHNOLOGY

During the current financial year, the expenditure on IT (including hardware and software) amounted to 0.26% of Revenue (2010: 0.34%).

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 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.

13. SUSTAINABILITY REPORTING

The regulatory changes in the interconnect rates have had a continuing direct impact on the group's profitability. The group has had to revise its strategy in order to ensure the sustainability of its profits in the future. The change over to our new Digital direct VOIP solution to clients is a direct result of the group's pursuance of a sustainable model in the future. The financial results of the current year still reflect a reliance on the Least Cost Routing (LCR) model previously applied by the group. The next 12 months will see greater reduction in revenues from the LCR source and a gradual increase to our new model. We have experienced longer than desired lead times to convert existing and new customers to this model and as a result we expect our profits over the next 12 months to be negatively impacted. Over the longer term we are confident that the new technological offering, combined with the large investment in the new equipment required to convert, will result in greater and more sustainable profits in the future.

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 environment systems, which are aimed at reducing resource consumption over time, are in place and the directors are continuously exploring ways in which to reduce paper, energy and water usage. The Company recently moved into new premises where the use of natural light and heating is optimised. This will reduce the Company's electricity consumption.

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

14. TRANSFER OFFICE

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

15. DESIGNATED ADVISOR

Arcay Moela Sponsors (Pty) Ltd acts as the Company's designated advisor in compliance with the JSE Listings Requirements.

16. SUMMARY

Below is a summary of the Company's progress in implementing the principles contained in the King III report, those areas not fully complied with and reasons for non-compliance:

CHECKLIST: King III Index							
ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP	**Apply**	**Partially apply**	**Under review/Do not apply**	**COMPLIANCE WITH LAWS, CODES, RULES AND STANDARDS**	**Apply**	**Partially apply**	**Under review/Do not apply**
Effective leadership based on an ethical foundation	√			The Board ensures that the group complies with relevant laws	√		
Responsible corporate citizen	√			The Board and directors have a working understanding of the relevance and implications of non-compliance	√		
Effective management of the group's ethics	√			Compliance risk forms an integral part of the group's risk management process	√		
Assurance statement on ethics in integrated annual report	√			The Board has delegated to management the implementation of an effective compliance framework and processes	√		
BOARDS AND DIRECTORS				**GOVERNING STAKEHOLDER RELATIONSHIPS**			
The Board is the focal point for and custodian of corporate governance	√			Appreciation of stakeholders' relationships	√		
Strategy, risk, performance and sustainability are inseparable	√			There is an appropriate balance between various stakeholder groupings	√		
Directors act in the best interest of the group	√			Equitable treatment of stakeholders	√		
The Chairman of the Board is an independent non-executive director	√			Transparent and effective communication to stakeholders	√		
Framework for the delegation of authority has been established	√			Disputes are resolved effectively and timeously	√		
The Board comprises a balance of power, with a majority of non-executive directors, the majority of whom are independent		√[1]		**THE GOVERNANCE OF INFORMATION TECHNOLOGY**			
Directors are appointed through a formal process	√			The Board is responsible for IT governance	√		
Formal induction and on-going training of directors is conducted	√			IT is aligned with the group's performance and sustainability objectives	√		
The Board is assisted by a competent, suitably qualified and experienced group secretary	√			Management is responsible for the implementation of an IT governance framework		√[4]	
Regular performance evaluation of the Board, its committees and the individual directors		√[2]		The Board monitors and evaluates significant IT investments and expenditure	√		
Appointment of well-structured committees and oversight of key functions	√			IT is an integral part of the group's risk management	√		
An agreed governance framework between the group and its subsidiary boards is in place	√			IT assets are managed effectively	√		
Directors and executives are fairly and responsibly remunerated	√			The Audit/Risk Management Committee and Audit Committee assist the Board in carrying out its IT responsibilities	√		

BOARDS AND DIRECTORS	Apply	Partially apply	Under review/Do not apply	THE GOVERNANCE OF RISK	Apply	Partially apply	Under review/Do not apply
Remuneration of directors and senior executives is disclosed	√			The Board is responsible for the governance of risk and setting levels of risk tolerance	√		
The group's remuneration policy is approved by its shareholders			√	The Audit Committee assists the Board in carrying out its risk responsibilities	√		
AUDIT COMMITTEE				The Board delegates the process of risk management to management	√		
Effective and independent	√			The Board ensures that risk assessments and monitoring are performed on a continual basis	√		
Suitably skilled and experienced independent non-executive directors	√			Frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks		√[5]	
Chaired by an independent non-executive director	√			Management implements appropriate risk responses	√		
Oversees integrated reporting	√			The Board receives assurance on the effectiveness of the risk management process	√		
A combined assurance model is applied to improve efficiency in assurance activities	√			Sufficient risk disclosure to stakeholders	√		
Satisfies itself on the expertise, resources and experience of the group's finance functions	√			**INTEGRATED REPORTING AND DISCLOSURE**			
Oversees internal audit			√[3]	Ensures the integrity of the group's integrated annual report	√		
Integral to the risk management process	√			Sustainability reporting and disclosure is integrated with the group's financial reporting	√		
Oversees the external audit process	√			Sustainability reporting and disclosure is independently assured			√
Reports to the Board and shareholders on how it has discharged its duties	√						

√[1] The majority of the directors are non-executive directors but there are only two independent non executives out of five currently on the Board.

√[2] The executive directors' performance is regularly assessed through the remuneration committee. The Board will be considering the introduction of board, committee and individual evaluation during the forthcoming year.

√[3] The group does not have an internal audit function as the costs of such implementation, when evaluated against the control risks in the group, are not considered warranted at this stage.

√[4] Management has implemented certain elements of an IT governance framework, such as disaster recovery controls. The Board will in the future consider the need to augment the IT general controls implemented with a comprehensive framework based on the results of an IT risk assessment.

√[5] A framework and methodologies have not been implemented to manage the risks. The Board has considered the risks of the business, the most important currently being the conversion to a new technology to ensure sustainability of revenue. The Board and Audit Committee (responsible for managing risk) will consider improvements to the risk management process.

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.

Brandon Topham Inc.

Brandon Topham Incorporated

AUDIT COMMITTEE'S REPORT

This report of the Audit Committee for the year ended 30 September 2011 is presented as required by King III and Section 94 of the Companies Act.

1. FUNCTIONS AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

The role of the Audit 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 Audit 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 Committee have been fully addressed in paragraph 4.1 of the Corporate Governance Report.

The Audit Committee addressed its responsibilities properly in terms of its charter during the financial year ending 30 September 2011. No changes to the charter were adopted during the financial year. The Audit Committee has complied with its legal and regulatory responsibilities.

2. MEMBERS OF THE AUDIT COMMITTEE

Membership of the Audit Committee has been fully disclosed in paragraph 4.1 of the Corporate Governance Report.

The members of the Audit Committee have at all times acted in an independent manner.

3. FREQUENCY OF MEETINGS

The frequency of and attendance at Audit Committee meetings has been fully disclosed in paragraph 4.1 of the Corporate Governance Report.

Provision is made for additional meetings to be held, if and when, necessary.

4. INDEPENDENCE OF EXTERNAL AUDIT

One of the responsibilities of the Audit Committee is the assessment of the independence of the external audit firm. The Audit Committee is satisfied that the external audit firm is independent of the group. The external audit firm has also confirmed that its personnel are independent of the group. The Audit Committee does not allow the external audit firm to perform any other duties for the group.

5. PERFORMANCE OF INTERNAL AUDIT

The Audit Committee cannot report on the activities, scope, adequacy and effectiveness of the internal audit function and audit plans, as no such function has been established. The Audit Committee did therefore not consider nor recommend an internal audit charter for the Board's approval. A Chief Audit Executive was not appointed to lead this function.

6. EXPERTISE, RESOURCES AND EXPERIENCE OF THE FINANCIAL FUNCTION

As required by the JSE Listing Requirements, the Audit Committee has satisfied itself that the Financial Director has appropriate expertise and experience.

The Audit Committee is assured that the finance function has the appropriate resources to perform its functions effectively and efficiently.

7. RISK MANAGEMENT PROCESS

The Board has assigned the implementation of a risk management process to the Audit Committee in the absence of a Risk Committee. The Audit Committee has compiled a risk matrix which addresses the risks which have been delegated to management.

The Audit Committee is satisfied that there is an ongoing process for identifying, evaluating and managing any significant risks and that effective controls are in place to mitigate identified risks.

8. FINANCIAL STATEMENTS

Management has reviewed the financial statements with the Audit Committee, and the Audit Committee has, in turn, reviewed them without management or the external auditors being present. The quality of the accounting policies are discussed with the external auditors. The Audit Committee considers the financial statements of TeleMasters Holdings Limited to be a fair presentation of its financial position on 30 September 2011 and of the results of the operations, changes in equity and cash flows for the period then ended, in accordance with IFRS and the Companies Act.

9. INTERNAL FINANCIAL CONTROL ENVIRONMENT

The Audit Committee places considerable importance on maintaining a strong control environment. This includes 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.

No material weaknesses in internal control were reported during the year by management or the external audit firm. The Audit Committee is of the opinion that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements and has recommended this integrated report to the Board for approval.

VI Beck
Chairman

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required by the Companies Act to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the 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 IFRS and in the manner required by the Companies Act. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with IFRS and in the manner required by the Companies Act and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the 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 September 2012 and, in the light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the Board is primarily responsible for the group's financial affairs, it is supported by the group's external auditors.

The external auditors are responsible for independently reviewing and reporting on the group's financial statements. The financial statements have been examined by the group's external auditors and their report is presented on page 22

The financial statements set out on pages 23 to 66, which have been prepared on the going concern basis, were approved by the Board on the date stated below and were signed on its behalf by:

26 May 2012

MB Pretorius **BR Topham**

INDEPENDENT AUDITORS’ REPORT

To the Shareholders of TeleMasters Holdings Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the annual consolidated financial statements of TeleMasters Holdings Limited and its subsidiary, which comprise the consolidated statement of financial position as at 30 September 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, and the Directors’ Report as set out on pages 23 to 66.

DIRECTORS’ RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The group’s directors are responsible for the preparation and fair representation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), and the AC500 Standards issued by the Accounting Practices Board or its successor and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS’ RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

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

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

OPINION

In our opinion, the annual consolidated financial statements fairly present, in all material respects, the financial position of the group as at 30 September 2011 and the results of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, the AC500 Standards issued by the Accounting Practices Board or its successor and in the manner required by the Companies Act of South Africa.

BDO South Africa Inc.

BDO SOUTH AFRICA INCORPORATED
Registered Auditors, Block C, Riverwalk Office Park
41 Matroosberg Avenue, Ashlea Gardens, Pretoria
Per: B Bosman – Registered Auditor and Partner
26 May 2012

DIRECTOR'S REPORT

The directors have pleasure in presenting their report on the group's activities for the year ended 30 September 2011.

1. REVIEW OF ACTIVITIES

Main business and operations

TeleMasters is a specialist tele-management and business communication strategy player operating exclusively in the South African market. It focuses exclusively on the corporate and SME market. The group will not commit funds to building infrastructure in competition to its current and future suppliers but will take on a senior role in providing current and future clients access to the most efficient and effective connectivity technologies. This is consistent with that of the prior year.

General overview

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

The net profit of the group was R10 000 351 (2010: R7 814 357), after taxation expense of R4 813 500 (2010: R4 726 509) and reflected an earnings per share of 23.81 cents (2010: 18.61 cents). Headline earnings per share was 23.80 cents (2010: 19.36 cents).

The NAV per share increased to 78.40 cents from 71.59 cents. The NTAV per share was 67.45 cents (2010: 58.42 cents) after the total dividends and capital distributions to shareholders of 17 cents (2010: 9 cents) and Nil cents (2010: 5 cents) respectively per share.

The group has maintained its net cash position notwithstanding pressure on margins and expenses. It remains cash positive with a very good liquidity position. The group currently has 50 employees (2010: 47).

2. NON-CURRENT ASSETS

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

3. SHARE CAPITAL

The Company's authorised and issued share capital as at 30 September 2011 is set out in note 8 of the financial statements. As at 30 September 2011, 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.

No changes to the share capital occurred during the financial year.

4. DIVIDENDS AND DISTRIBUTIONS

The following cash dividends were declared during the year:

- First quarter cash dividend of 4 cents per share which was paid to shareholders recorded in the Company's share register at the close of business on 21 January 2011 and paid on 24 January 2011.

- Second quarter cash dividend of 4 cents per share which was paid to shareholders recorded in the Company's share register at the close of business on 29 April 2011 and paid on 3 May 2011.
- Third quarter cash dividend of 5 cents per share which was paid to shareholders recorded in the Company's share register at the close of business on 15 July 2011 and paid on 18 July 2011.
- Fourth quarter cash dividend of 4 cents per share which was paid to shareholders recorded in the Company's share register at the close of business on 21 October 2011 and paid on 24 October 2011.

The Board will continue with its policy of declaring quarterly dividends provided the group's cash flow allows it.

During the comparative period ended 30 September 2010, the Company declared three quarterly dividends totalling 9 cents per share and made two capital distributions totalling 5 cents per share.

5. EVENTS SUBSEQUENT TO REPORTING DATE

The directors are unaware of any other significant 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 period under review or its financial position as at 30 September 2011. The directors would, however, like to bring attention to the following:

Acquisitions of plant and equipment

During the normal course of business operations and the conversion to a new technology for the provision of VOIP, the group acquired additional plant and equipment.

Dividends declared

On 21 December 2011, the Board declared an interim cash dividend of 1 cent per share which was paid to shareholders on 23 January 2012 (STC: R42 000). A second interim dividend of 1 cent per share was declared on 29 March 2012 to be paid to shareholders on 7 May 2012 (STC: R42 000).

First quarter loss for the 2012 financial year

On 16 February 2012, the Board reported a loss of R1 050 957 for the first quarter ended 31 December 2011. The company has commenced a process of reducing costs to restore the company to profitability. This includes but is not limited to a retrenchment process initiated during March 2012 and in line with changes required in order to embrace our new technological basis for rendering services in the future.

6. GOING CONCERN

The 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.

The group's ability to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations of the group. The directors are confident that this will be possible.

7. LITIGATION

There are currently no legal or arbitration proceedings against the group (including any proceedings which are pending or threatened) of which the group is aware which may have, or have had in the 12 months preceding the date of this report, a material effect on the position of the group.

8. SPECIAL RESOLUTIONS

At the Company's annual general meeting held on 1 April 2011, the following special resolution was passed:

- The directors were authorised to repurchase ordinary shares in the issued share capital of the Company. As at the date of the report no repurchase in terms of the special resolution had been made.

9. MAJOR SHAREHOLDERS

Details of the major shareholders are provided in the audited Shareholder Analysis on page 66 of the Annual Report.

10. COMPANY SECRETARY

The Company Secretary remained unchanged during the year under review. See paragraph 6 of the Corporate Governance Report.

11. COMPOSITION OF BOARD AND BOARD COMMITTEES

The directors of the Company, as well as the classification of each director, are fully disclosed under paragraph 1 of the Corporate Governance Report.

The composition of the Board Committees, as well as the attendance of directors at the committee meetings, was fully disclosed under paragraph 4 of the Corporate Governance Report.

12. AUDITORS

BDO South Africa Incorporated acted as the group's auditors for the year ended 30 September 2011 and will continue in office in accordance with Section 90 of the Companies Act, as amended. The independence and remuneration of the auditors was confirmed by the groups Audit Committee.

13. REGISTERED ADDRESS

The Company is incorporated in the Republic of South Africa as a public company and has its registered and domiciled address at: 90 Regency Street, Route 21 Office Park, Irene, 0157

14. POWER TO AMEND THE ANNUAL FINANCIAL STATEMENTS

The entity's owners or others do not have the power to amend the annual consolidated financial statements after issue.

15. BORROWING LIMITATIONS

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

16. SEPARATE FINANCIAL STATEMENTS

The financial results, position and cash flows of the holding company are not presented separately in these annual financial statements. These financial statements include only the consolidated results, position and cash flows of the group. The holding company's separate financial statements are available on request.

17. SUBSIDIARY COMPANY

TeleMasters Holdings Ltd holds 100% of the voting equity and issued share capital of R1 000 in its only subsidiary Skycall Networks (Pty) Ltd. The subsidiary's country of incorporation is South Africa and the nature of its business is the provision of telecommunications services. The total comprehensive income of the subsidiary during the financial year ended 30 September 2011 amounted to R210 048.

18. INTEREST OF DIRECTORS AND OFFICERS IN THE GROUP'S SECURITIES

The interests of directors and officers in the group's securities as at 30 September 2011 are as follows:

Number of shares	**2011**	**2010**
Shareholding at year end:		
Direct:		
IG Bekker	506 150	593 942
Indirectly and non-beneficially:		
BR Topham	-	34 285
Indirectly and beneficially:		
BR Topham	507 458	473 173
MB Pretorius	35 700 000	35 700 000
Share dealings during the financial year:		
Shares (disposed)/ acquired directly:		
IG Bekker *	(87 792)	18 032
Shares acquired indirectly and beneficially:		
BR Topham	-	-

*These *dealings took place after resignation as director.*

There were no changes to the directors' interests in the share capital of the group between 30 September 2011 and the date of this report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30/09/11	30/09/10
		R	R
Assets			
Non-current assets			
Plant and equipment	2	14 008 539	16 600 971
Intangible assets	3	1 912 081	2 842 631
Goodwill	4	2 686 779	2 686 779
Deferred tax assets	5	3 962 210	3 860 944
Total non-current assets		22 569 609	25 991 325
Current assets			
Trade and other receivables	6	20 024 147	18 726 561
Cash and cash equivalents	7	20 420 572	20 144 204
Total current assets		40 444 719	38 870 765
Total assets		**63 014 328**	**64 862 090**
Equity and Liabilities			
Capital and reserves			
Issued capital	8	48 059	48 059
Retained earnings		32 879 675	30 019 324
Total equity		32 927 734	30 067 383
Non-current liabilities			
Finance lease liabilities	9	336 779	2 096 728
Total non-current liabilities		336 779	2 096 728
Current liabilities			
Trade and other payables	10	27 256 316	28 155 260
Finance lease liabilities	9	2 305 928	2 426 455
Current tax liabilities		122 260	2 044 085
Bank overdraft	7	65 311	72 179
Total current liabilities		29 749 815	32 697 979
Total liabilities		30 086 594	34 794 707
Total equity and liabilities		**63 014 328**	**64 862 090**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 30/09/11 R	Year ended 30/09/10 R
Revenue	11	268 142 485	236 899 745
Cost of sales		(225 784 306)	(200 721 228)
Gross profit		**42 358 179**	**36 178 517**
Other gains and (losses)	13	4 670	(318 187)
Operating expenses		(27 942 621)	(23 425 926)
Operating profit	16	14 420 228	12 434 404
Investment revenue	12	876 041	880 159
Finance cost	15	(482 418)	(773 697)
Profit before tax		**14 813 851**	**12 540 866**
Income tax expense	17	(4 813 500)	(4 726 509)
Profit for the year		**10 000 351**	**7 814 357**
Total comprehensive income for the period		**10 000 351**	**7 814 357**
Profit and total comprehensive income attributable to the shareholders of the company		**10 000 351**	**7 814 357**
Earnings per share			
Basic earnings (cents per share)	18	23.81	18.61
Diluted earnings (cents per share)	18	23.81	18.61

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Total share capital	Retained earnings	Total equity
	R	R	R	R	R
Balance at 1 October 2009	**4 200**	**2 143 859**	**2 148 059**	**25 984 966**	**28 133 025**
Comprehensive income	-	-	-	7 814 357	7 814 357
- Profit for the year	-	-	-	-	-
Total comprehensive income	-	-	-	**7 814 357**	**7 814 357**
Transactions with owners					
- Distribution of share premium *	-	(2 100 000)	(2 100 000)	-	(2 100 000)
- Dividends *	-	-	-	(3 780 000)	(3 780 000)
Total transactions with owners	**-**	**(2 100 000)**	**(2 100 000)**	**(3 780 000)**	**(5 880 000)**
Balance at 30 September 2010	**4 200**	**43 859**	**48 059**	**30 019 324**	**30 067 383**
Comprehensive income					
- Profit for the year	-	-	-	10 000 351	10 000 351
Total comprehensive income	**-**	**-**	**-**	**10 000 351**	**10 000 351**
Transactions with owners					
- Dividends *	-	-	-	(7 140 000)	(7 140 000)
Total transactions with owners	**-**	**-**	**-**	**(7 140 000)**	**(7 140 000)**
Balance at 30 September 2011	**4 200**	**43 859**	**48 059**	**32 879 675**	**32 927 734**

* Refer to note 19 Dividend per share

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	30/09/11	30/09/10
		R	R
Cash flows from operating activities			
Profit for the year		10 000 351	7 814 357
Income tax expense	17	4 813 500	4 726 509
Interest received	12	(639 059)	(565 360)
Dividends received	12	(236 982)	(314 799)
(Gain)/Loss on disposal of plant and equipment	13	(4 670)	318 187
Depreciation	2	4 778 466	3 973 114
Movement in plant and equipment	2	-	102 442
Amortisation	3	930 550	996 991
Adjustment to intangible assets	3		(2 870)
Finance cost	15	482 418	773 697
		20 124 574	17 822 268
Movements in working capital:			
(Increase)/Decrease in trade and other receivables		(1 297 585)	4 314 045
(Decrease)/Increase in trade and other payables		(898 944)	4 050 518
Cash generated by operations		17 928 045	26 186 831
Finance cost	15	(482 418)	(773 697)
Income taxes paid		(6 836 590)	(9 925 144)
Net cash generated from operating activities		**10 609 037**	**15 487 990**
Cash flows from investing activities			
Interest received	12	639 058	565 360
Dividends received	12	236 982	314 799
Acquisition of subsidiary	24	-	(1 800 000)
Additions to plant and equipment	2	(2 765 418)	(3 374 881)
Proceeds from disposal of plant and equipment		584 054	358 066
Additions to intangible assets	3	-	(27 234)
Net cash used in investing activities		**(1 305 324)**	**(3 963 890)**
Cash flows from financing activities			
Capital reduction of share premium	8	-	(2 100 000)
Dividends paid		(7 140 000)	(3 743 538)
Proceeds from borrowings		664 957	1 214 451
Repayment of borrowings		(2 545 435)	(2 988 667)
Net cash used in financing activities		**(9 020 478)**	**(7 617 754)**
Total cash movement for the period		**283 235**	**3 906 346**
Cash and cash equivalents at the beginning of year		20 072 026	16 165 680
Cash and cash equivalents at the end of year	**7**	**20 355 261**	**20 072 026**

ACCOUNTING POLICIES

1. STATEMENT OF COMPLIANCE

The financial statements have been prepared in compliance with IFRS, the Companies Act and the JSE Listings Requirements.

2. BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis. The accounting policies applied are consistent with the prior year. The financial statements are presented in South African Rand (R) and have been rounded to the nearest R1. All new interpretations and standards were assessed and adopted with no material impact, except for IAS 1: Presentation of Financial Statements that required some modified disclosures and terminology.

3. BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the Company's financial statements and the entity controlled by the Company (its subsidiary). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of the subsidiary are included in the consolidated statement of comprehensive income.

Where necessary, adjustments are made to a subsidiary's financial statements to bring its accounting policies into line with those used by the holding company. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets (excluding goodwill) of the consolidated subsidiary are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination. Losses applicable to the non-controlling interests in excess of its interest in the subsidiary's equity are allocated against the non-controlling interest.

4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

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

- *IAS 17 – Leases*
- *IAS 21 – The Effects of Changes in Foreign Exchange Rates*
- *IAS 36 – Impairment of Assets*
- *IFRS 1 – First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*
- *IAS 32 – Financial Instruments: Presentation - Classification of Rights Issues (Amendment)*
- *IAS 27 – Consolidated and Separate Financial Statements – Transition requirements for amendments made as a result of IAS 27 Consolidated and Separate Financial Statements*

STANDARDS, INTERPRETATIONS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE NOR ADOPTED

The group has chosen not to early adopt the following standards, amendments and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 1 October 2011 or later periods:

- *IFRS 9 – Financial Instruments*

  This standard forms part of the first phase of the three phase project to replace IAS 39 Financial Instruments: Recognition and measurement. This standard is effective for annual periods beginning on or after 1 January 2013. The group does not intend to adopt this standard early. Management is of the opinion that the adoption of this standard will not have a significant impact on the consolidated financial statements.

  The group expects to adopt the standard for the first time in the 2014 consolidated financial statements.

- *IFRS 7 – Financial Instruments: Disclosures*

  The amendment requires additional quantitative and qualitative disclosures relating to transfers of financial assets, when financial assets are derecognised in their entirety, but the entity has a continuing involvement in them (e.g., options or guarantees on the transferred assets) or when financial assets are not derecognised in their entirety. This amendment is effective for annual periods beginning on or after 1 July 2011. The group does not intend to adopt this amendment early. Management is of the opinion that the adoption of this amendment will not have a significant impact on the consolidated financial statements.

  The group expects to adopt the amendment for the first time in the 2012 consolidated financial statements.

- *IFRS 13 – Fair Value Measurement*

  IFRS 13 does not affect when fair value is used, but rather describes how to measure fair value where fair value is required or permitted by IFRS. This standard is effective for annual periods beginning on or after 1 January 2013. The group does not intend to adopt this standard early. Management is of the opinion that the adoption of this standard will not have a significant impact on the consolidated financial statements.

  The group expects to adopt the standard for the first time in the 2014 consolidated financial statements.

- *IAS 1 – Presentation of Items of Other Comprehensive Income — Amendments to IAS 1*

  The amendments to IAS 1 change the grouping of items presented in OCI. Items that would be reclassified (or recycled) to profit or loss at a future point in time (e.g., upon de-recognition or settlement) would be presented separately from items that will never be reclassified. This amendment is effective for annual periods beginning on or after 1 July 2012. The group does not intend to adopt this amendment early. Management is of the opinion that the adoption of this amendment will not have a significant impact on the consolidated financial statements.

The group expects to adopt the amendment for the first time in the 2013 consolidated financial statements.

- *IAS 19 – Employee Benefits (Revised)*

  The revised standard includes a number of amendments that range from fundamental changes to simple clarifications and rewording. This standard is effective for annual periods beginning on or after 1 January 2013. The group does not intend to adopt this standard early. Management is of the opinion that the adoption of this standard will not have a significant impact on the consolidated financial statements.

  The group expects to adopt the standard for the first time in the 2014 consolidated financial statements.

- *IFRS 10 – Consolidated Financial Statements, IAS 27 Separate Financial Statements*

  IFRS 10 replaces the portion of IAS 27 that addresses the accounting for consolidated financial statements. It also addresses the issues raised in *SIC-12 Consolidation – Special Purpose Entities* resulting in SIC-12 being withdrawn. IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures, and associates in separate financial statements. This standard is effective for annual periods beginning on or after 1 January 2013. The group does not intend to adopt this standard early. Management is of the opinion that the adoption of this standard will not have a significant impact on the consolidated financial statements.

  The group expects to adopt the standard for the first time in the 2014 consolidated financial statements.

- *IFRS 12 – Disclosure of Interests in Other Entities*

  IFRS 12 applies to an entity that has an interest in subsidiaries, joint arrangements, associates and/or structured entities. Many of the disclosure requirements of IFRS 12 were previously included in IAS 27, IAS 31, and IAS 28, while others are new. This standard is effective for annual periods beginning on or after 1 January 2013. The group does not intend to adopt this standard early. Management is of the opinion that the adoption of this standard will not have a significant impact on the consolidated financial statements.

  The group expects to adopt the standard for the first time in the 2014 consolidated financial statements.

- *IAS 24 – Related Party Disclosures (Revised)*

  The definition of a related party has been clarified to simplify the identification of related party relationships, particularly in relation to significant influence and joint control. This standard is effective for annual periods beginning on or after 1 January 2011. The group does not intend to adopt this standard early. Management is of the opinion that the adoption of this standard will not have a significant impact on the consolidated financial statements.

  The group expects to adopt the standard for the first time in the 2012 consolidated financial statements.

- *IAS 34 – Interim Financial Reporting*

  The amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and requires additional disclosures on the circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. The amendment is applicable to periods beginning on or after 1 January 2011. The group does not intend to adopt this amendment early. Management is of the opinion that the adoption of this amendment will not have a significant impact on the consolidated financial statements.

  The group expects to adopt the amendment for the first time in the 2012 consolidated financial statements.

5. SIGNIFICANT JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

- *Income tax*

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

The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows 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 realize the net deferred tax assets recorded at the year end date could be impacted. Deferred tax is provided for on a basis that is reflective of the expected manner of recovery of the carrying amount of the asset, i.e. sale or use. This manner of recovery affects the rate used to determine the deferred tax liability.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- *Trade receivables*

The group assesses its trade receivables for impairment at each reporting date. The impairment for trade receivables is assessed for impairment on an individual debtor basis, based on historical data and future factors. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the group makes judgements as to whether there is objective evidence indicating a measurable decrease in the estimated future cash flows from a financial asset. Where objective evidence of impairment exist, future cash flows expected to be collected are projected after taking into account market conditions and credit risk profile of the trade debtors. The present value of these cash flows, determined using an appropriate discount rate, is compared to the carrying amount of the trade receivable and, if lower, the trade receivables are impaired to the present value.

- *Plant and equipment*

Fixed assets 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 determined with reference to current market prices of assets of similar age and condition.

Depreciation is provided on all plant and equipment to write down the cost, less residual value, by equal instalments over their useful lives as follows:

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

- *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 from which the group will earn revenue from the intangible asset. An intangible asset is regarded as having an

over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets. For all other intangible assets amortisation is provided on a straight line basis over their useful lives as follows:

Item	Useful life
Computer software	3 years
Customer base	6 years

- *Impairment of tangible and intangible assets*

  The group assesses at each reporting date whether there is any indication that an asset may be impaired by applying internal and external impairment indicators. Determining whether tangible and intangible assets are impaired requires an estimation of the recoverable amount of the individual assets, or otherwise the recoverable amount of the cash-generating unit to which the asset belongs. In assessing value in use the group is required to estimate the future cash flows expected to arise from the individual asset or its cash generating unit and a suitable discount rate in order to calculate the present value.

  The carrying amount of the customer base at the reporting date was R1 612 080 (2010: R2 447 539) after no impairment loss (2010: R0). Management used the fair value less cost to sell to determine the recoverable amount of the intangible asset that may have been impaired.

- *Goodwill impairment*

  The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policies stated in Note 7 for Goodwill. The assumptions used in the impairment testing are set out in Note 4 of the financial statements. The recoverable amounts of the cash generating unit 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

6. BUSINESS COMBINATIONS

Initial recognition and measurement

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 given, 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.

Contingent consideration is included in the cost of the business combination at the fair value of the best estimate of the amount that will be required to settle the remaining purchase price determined at the date of acquisition. Subsequent changes to the assets, liabilities or equity which arise as a result of the contingent consideration are not affected against goodwill.

The interest of the non-controlling shareholders may be measured either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s identifiable net assets measured at their fair value. The choice of measurement basis is made on an acquisition-by-acquisition basis.

When the business combinations is achieved in stages, the group's previously held interest in the acquired entity are re-measured to the fair value on the date the group attains control and the resulting gain or loss is recognised in profit or loss. Where the previously held interest was classified as an available for sale financial asset, the cumulative fair value adjustments recognised previously to other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

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.

The excess of the fair value of the net identifiable assets and contingent liabilities of the entity acquired over the cost of the acquisition results in a bargain purchase gain which is recognised immediately in profit or loss.

7. GOODWILL

Initial recognition and measurement

Goodwill arising on the acquisition of subsidiaries and joint ventures represents the excess of the business combination 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.

Derecognition

When goodwill forms part of a cash-generating unit that is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation in determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other non-monetary assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

8. PLANT AND EQUIPMENT

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.

Plant and equipment are stated in the Consolidated Statement of Financial Position at their cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Costs include costs incurred initially to acquire or construct an item of plant and equipment and costs incurred subsequently to add to, replace part of, or service it if they are not day to day servicing costs. If a replacement cost is recognised in the carrying amount of an item of plant and equipment, the carrying amount of the replaced part is derecognised.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising from the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss when the item is derecognised.

9. INTANGIBLE ASSETS

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

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

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

Intangible assets other than goodwill are reported at cost less accumulated amortisation and accumulated impairment losses. The amortisation period, residual value and the amortisation method for intangible assets are reviewed every period-end.

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives, using the straight-line method. Reassessing the useful life of an intangible asset with a definite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

10. IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL

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.

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

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

The 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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

11. FINANCIAL INSTRUMENTS

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

Financial assets and financial liabilities are recognised on the group's Consolidated Statement of Financial Position on the trade date, which is the date when the group becomes party to the contractual provisions of the instrument. Financial instruments are initially measured at fair value, net of transaction costs.

- *Financial assets*

  Financial assets are classified depending on the nature and purpose of the financial assets and are determined at the time of initial recognition.

  Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market and cash and cash equivalents are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

  The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

  Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

  For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

  The carrying amount of financial assets is reduced directly by the impairment loss with the exception of trade receivables. The carrying amount of trade receivables is reduced directly when the facts about the trade debtor indicate that liquidation has occurred or has been applied for, thereby indicating uncollectibility, and the debt has not been previously impaired. In all other cases impairment is recognised through an allowance account. Amounts charged to the allowance account are written off against the trade receivables balance when the group becomes aware that a debt previously impaired, is no longer recoverable and would remain uncollectible.

  Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

  If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For trade receivables the following objective evidence is considered in determining when an impairment loss has been incurred:

- Significant financial difficulty of the debtor, e.g. whether the debtor has been liquidated or has closed down the business or if provisional liquidation has been sought against the debtor;
- A breach of contract such as a default or delinquency in interest or principal repayments, e.g. the number of days that the debt is in arrears;
- It is becoming probable that the debtor will enter bankruptcy or other financial re-organisation such as a communication from the debtor indicating an inability to pay with the agreed credit terms.

Trade receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables is based on the group's past experience of collecting payments, and includes an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk in change in value. Cash and cash equivalents are measured at amortised cost.

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

- *Financial liabilities*

Financial liabilities are classified in accordance with the substance of the contractual agreement. Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or expire.

- *Equity instruments issued by the group*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. If the group re-acquires its own equity instruments, those instruments are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the group's own equity instruments.

12. TAXATION

- *Current tax assets and liabilities*

Current tax for the 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 reporting date.

- *Secondary tax on companies*

Secondary tax on companies (STC) is provided for at a rate of 10% on the amount by which the dividends declared by the group exceed the dividends received. Deferred taxation on unutilised STC credits is recognised to the extent that STC payable on future dividend payments is likely to be available for setoff.

- *Deferred tax*

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the Consolidated Statement of Financial Position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

- *Tax expenses*

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Consolidated Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates applicable at the reporting date.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

13. LEASES AS LESSEE

Leases are classified as finance leases 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, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability.

Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

14. 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, bonuses, and non-monetary benefits, such as medical care), is recognised in the period in which the service is rendered and is 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.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

15. PROVISIONS

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the Consolidated Statement of Financial Position date, taking into account the risks and uncertainties surrounding the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

16. REVENUE RECOGNITION

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

Revenue is recognised when all the following conditions are satisfied:

- The group has transferred to the buyer the significant risks and rewards of ownership;
- The group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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

17. COST OF SALES

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

18. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit of loss in the period in which they are incurred.

19. DIVIDEND DISTRIBUTION

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are declared, i.e. no longer at the discretion of the group but solely as approved by the group's Board.

20. RELATED PARTIES

Related parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the party in making financial and operational decisions. Key management personnel are also regarded as related parties. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, and this includes all directors, both executive and non-executive, of the company.

21. OPERATING SEGMENTS

Segment accounting policies are consistent with those adopted for the preparation of the financial statements. Segment information is determined on the same basis as the information used by the chief operating decision maker for the purposes of allocating resources to segments and assessing segments' performance. All inter-segment transactions are eliminated.

22. EARNINGS PER SHARE

The group presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. Headline earnings per share (HEPS) is calculated using the weighted average number of ordinary shares in issue during the period and is based on the earnings attributable to ordinary shareholders, after excluding those items as required by Circular 3/2009 issued by the South African Institute of Chartered Accountants (SAICA).

23. OFFSETTING

Assets and liabilities and income and expenses are not offset unless specifically permitted by an accounting standard. Financial assets and financial liabilities are offset and the net amount reported only when a legally enforceable right to offset the amounts exists and the intention is either to settle on a net basis or to realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

1. 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.

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. Accordingly, there is no meaningful segmental information to report other than the following:

	30/09/11	30/09/10
	R	R
Revenue by nature		
Sale of airtime	261 529 976	225 923 904
Sale of fixed line airtime	1 167 171	-
Connection incentive bonuses	5 150	5 602 244
Other	5 440 188	5 373 597
Total	**268 142 485**	**236 899 745**
Major customers		
Revenue from transactions with a single external customer amounting to 10% or more of the group's revenue is disclosed below:		
Customer A *	16 857 957	57 544 438
Customer B	85 210 724	-
Other	166 073 804	179 355 307
Total	**268 142 485**	**236 899 745**

* Trading with Customer A ceased during the current financial year.

2. PLANT AND EQUIPMENT

	Furniture And fixtures	Motor vehicles	Office equipment	IT equipment	Routers and handsets	Total
	R	R	R	R	R	R
Cost	147 901	1 841 026	105 882	429 342	23 727 376	26 251 527
Accumulated depreciation	(51 369)	(671 082)	(25 258)	(228 431)	(8 674 416)	(9 650 556)
Net carrying amount 30 September 2010	**96 532**	**1 169 944**	**80 624**	**200 911**	**15 052 960**	**16 600 971**
Additions	544 567	588 473	83 586	154 061	1 394 731	2 765 418
Disposals	(91 256)	(486 602)	(1 526)	-	-	(579 384)
Depreciation	(61 433)	(261 618)	(17 290)	(78 531)	(4 359 594)	(4 778 466)
Cost	544 567	1 448 763	184 896	583 403	25 122 107	27 883 736
Accumulated depreciation	(56 157)	(438 566)	(39 502)	(306 962)	(13 034 010)	(13 875 197)
Net carrying amount 30 September 2011	**488 410**	**1 010 197**	**145 394**	**276 441**	**12 088 097**	**14 008 539**

	Furniture and fixtures	Motor vehicles	Office equipment	IT equipment	Routers and Handsets	Total
	R	R	R	R	R	R
Cost	119 674	1 647 563	91 717	322 641	21 371 304	23 552 899
Accumulated depreciation	(33 264)	(418 926)	(11 743)	(159 909)	(4 951 158)	(5 575 000)
Net carrying amount 30 September 2009	**86 410**	**1 228 637**	**79 974**	**162 732**	**16 420 146**	**17 977 899**
Adjustments	1 211	18 880	-	17 899	(140 432)	(102 442)
Additions	28 227	380 714	14 165	106 701	2 845 074	3 374 881
Disposals	-	(187 251)	-	-	(489 002)	(676 253)
Depreciation	(19 316)	(271 036)	(13 515)	(86 421)	(3 582 826)	(3 973 114)
Cost	147 901	1 841 026	105 882	429 342	23 727 376	26 251 527
Accumulated depreciation	(51 369)	(671 082)	(25 258)	(228 431)	(8 674 416)	(9 650 556)
Net carrying amount 30 September 2010	**96 532**	**1 169 944**	**80 624**	**200 911**	**15 052 960**	**16 600 971**

Carrying value of plant and equipment pledged as security	**30/09/11**	**30/09/10**
	R	R
Motor vehicles	1 010 197	1 123 924
Routers and handsets	1 060 238	3 182 239
Total	**2 070 435**	**4 306 163**

These items are pledged as security in terms of finance lease liabilities as set out in note 9.

Impairments

During the period under review, the group carried out a review of the recoverable amounts of its plant and equipment. The recoverable amount has been determined on the basis of the assets' fair value less cost to sell. Fair value less cost to sell was determined based on a market related price in an arm's length transaction between knowledgeable, willing parties. No impairment was recognised.

3. INTANGIBLE ASSETS

Intangible assets include customer base contracts and Electronic Communication Services (ECS) and Electronic Communications Network Services (ECNS) licences acquired from external parties. The customer base contracts are for the provision of least-cost routing services on terms similar to those provided by the group. They have expected remaining amortisation periods of five to six years.

	Finite life		Infinite life	
	Customer base	Computer software	Licences	Total
	R	R	R	R
Cost	5 170 500	654 481	-	5 824 981
Accumulated amortisation	(1 860 949)	(454 514)	-	(2 315 463)
Net carrying amount 30 September 2009	**3 309 551**	**199 967**	**-**	**3 509 518**
Additions	-	27 234	-	27 234
Additions through business combinations	-	-	300 000	300 000
Amortisation	(861 750)	(135 241)	-	(996 991)
Adjustments	278	2 592	-	2 870
Cost	5 170 500	681 715	300 000	6 152 215
Accumulated amortisation & impairments	(2 722 421)	(587 163)	-	(3 309 584)
Net carrying amount 30 September 2010	**2 448 079**	**94 552**	**300 000**	**2 842 631**
Additions	-	-	-	-
Additions through business combinations	-	-	-	-
Amortisation	(835 998)	(94 552)	-	(930 550)
Cost	5 170 500	681 715	300 000	6 152 215
Accumulated amortisation & impairments	(3 558 419)	(681 715)	-	(4 240 134)
Net carrying amount 30 September 2011	**1 612 081**	**-**	**300 000**	**1 912 081**

Impairments

During the period under review, the group carried out a review of the recoverable amounts of its intangible assets. The recoverable amount was determined on the basis of the assets' fair value less cost to sell. Fair value less cost to sell was determined based on the subscription income over the remaining contract period.

4. GOODWILL

The goodwill arose on 1 March 2010 with the acquisition of the subsidiary, Skycall Networks (Pty) Ltd.

	Goodwill	Total
	R	R
Net carrying amount 30 September 2009	**-**	**-**
Additions through business combination	2 686 779	2 686 779
Cost	2 686 779	2 686 779
Accumulated impairment charges	-	-
Net carrying amount 30 September 2010	**2 686 779**	**2 686 779**
Cost	2 686 779	2 686 779
Accumulated impairment charges	-	-
Net carrying amount 30 September 2011	**2 686 779**	**2 686 779**

During the financial year, the group assessed the recoverable amount of goodwill, and determined that goodwill allocated to Skycall Networks (Pty) Ltd was not impaired. The accounting policy that has been applied in assessing impairment of goodwill is set out in note 7 of the Accounting Policies relating to Goodwill. No impairment was recognised.

A discounted cash flow method was used to determine the present value of the future cash flows from Skycall Networks (Pty) Ltd. A discount rate of 8.75%, equal to the group's current lending rate, was used in discounting the projected cash flows over a 5-year period.

The key assumptions of the cash flow forecast were based on:

- Current number of ports in use with a 10% increase yearly;
- Average number of minutes, charges per minutes and fixed monthly charges are kept constant, no increase applied; and
- Estimated cost of sales increases in line with the number of port increases.

The above approach was based on current exposure.

5. DEFERRED TAX

	30/09/11	30/09/10
	R	R
Assessed losses	3 793 309	3 888 519
Licences	(84 000)	(84 000)
Billing cut off	(160 231)	(115 415)
Accrual for leave pay	98 132	82 599
Allowance for doubtful debts	315 000	89 241
Total	3 962 210	3 860 944

Reconciliation of deferred tax

At the beginning of the year	3 860 944	394 675
Originating temporary difference on Assessed losses	(95 210)	3 888 519
Originating temporary difference on Licences acquired	-	(84 000)
Originating temporary difference on Billing cut off	(44 816)	(80 031)
Originating temporary difference on Accrual for leave pay	15 533	12 951
Originating (Reversing) temporary difference on the Allowance for doubtful debt	225 759	(271 170)
Total	**3 962 210**	**3 860 944**

Tax consequence of undistributed reserves

STC on remaining reserves	3 287 967	3 001 932

Subsequent to year end STC has been scrapped and replaced with a Dividend Tax. The effect thereof is that no STC will be payable by the group on the declaration of a dividend in future. The new Dividend tax is a tax payable by the Shareholder and not by the Group and therefore there is no tax consequence to the Group.

6. TRADE AND OTHER RECEIVABLES

Trade receivables	19 813 367	18 687 204
Allowance for doubtful debt	(1 500 000)	(424 958)
Prepayments	7 500	396 021
Other receivables	1 703 280	68 294
Total	**20 024 147**	**18 726 561**

The average credit period for trade receivables is 24 (2010: 25) days. No interest is charged on trade receivables.

7. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts.

	30/09/11	30/09/10
	R	R
Bank balances	20 420 572	20 144 204
Bank overdraft	(65 311)	(72 179)
Total	**20 355 261**	**20 072 025**
Current assets	20 420 572	20 144 204
Current liabilities	(65 311)	(72 179)
Total	**20 355 261**	**20 072 025**

8. SHARE CAPITAL

Authorised		
500 000 000 ordinary shares with a par value of R0.0001. Each share carries one vote per share and carries the right to dividends.	**50 000**	**50 000**
Issued		
Share capital	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)
Total	**48 059**	**48 059**

Reconciliation of the number of shares issued

At the beginning of the year	42 000 000	42 000 000
Issue of shares	-	-
At the end 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 Requirements. Shares in issue are fully paid up.

9. FINANCE LEASE LIABILITIES

	Current		Non-current	
	30/09/11	30/09/10	30/09/11	30/09/10
	R	R	R	R
Minimum lease payments due				
Within one year	2 423 255	2 712 931	-	-
In second to fifth year	-	-	353 915	2 185 005
Total	2 423 255	2 712 931	353 915	2 185 005
Less: Future finance charges	(117 327)	(286 476)	(17 136)	(88 277)
Present value of minimum lease payments	**2 305 928**	**2 426 455**	**336 779**	**2 096 728**

It is company policy to acquire motor vehicles and certain larger telephony routers under finance lease liabilities. The average finance lease agreement term is 3 – 5 years and the average effective borrowing rate is 8.5% to 8.75% (2010: 9% to 9.5%). Interest rates are linked to prime at the contract date. All finance lease liabilities have fixed repayments and no arrangements have been entered into for contingent rent. The company's obligations under finance lease liabilities are secured by the lessor's charge over the financed assets. Refer to note 2 above.

10. TRADE AND OTHER PAYABLES

	30/09/11	30/09/10
	R	R
Trade payables	22 250 113	22 809 071
Deposits received	2 887 719	3 106 817
Shareholders for dividends	1 699 963	1 717 055
Accrual for leave pay	350 470	294 996
Value Added Tax payable	-	128 794
Accrual and other payables	68 051	98 527
Total	**27 256 316**	**28 155 260**

11. REVENUE

	Year ended 30/09/11	Year ended 30/09/10
	R	R
Sale of fixed cellular airtime	261 529 976	225 923 904
Sale of fixed line airtime	1 167 171	-
Connection incentive bonuses	5 150	5 602 244
Other	5 440 188	5 373 597
Total	**268 142 485**	**236 899 745**

12. INVESTMENT REVENUE

Interest received on loans and receivables measured at amortised cost		
Banks – Local	639 059	565 360
Dividend revenue		
Financial institutions – Local	236 982	314 799
Total	**876 041**	**880 159**

13. OTHER GAINS AND LOSSES

Gain/(Loss) on the disposal of plant and equipment	4 670	(318 187)
Total	**4 670**	**(318 187)**

14. DIRECTORS' EMOLUMENTS

30/09/11	**Basic salary**	**Company contribution and benefits**	**Total**
	R	**R**	**R**
For service as directors			
Executive			
MB Pretorius	1 462 800	82 807	1 545 607
IG Bekker	169 050	34 323	203 373
E Rossouw	480 000	5 541	485 541
N Owen	167 053	2 614	169 667
BR Topham	15 000	260	15 260
	2 293 903	125 545	2 419 448
Non-executive			
DS van der Merwe	240 000	3 715	243 715
BR Topham	165 000	2 855	167 855
J Voigt	180 000	3 115	183 115
VI Beck	180 000	3 115	183 115
	765 000	12 800	777 800
Total	**3 058 903**	**138 345**	**3 197 248**
30/09/10			
For service as directors			
Executive			
MB Pretorius	1 294 200	77 027	1 371 227
IG Bekker	456 750	93 149	549 899
N Owen	513 295	6 939	520 234
	2 264 245	177 115	2 441 360
Non-executive			
DS van der Merwe	305 000	3 866	308 866
BR Topham	220 000	3 459	223 459
J Voigt	155 000	2 866	157 866
VI Beck	155 000	2 866	157 866
	835 000	13 057	848 057
Total	**3 099 245**	**190 172**	**3 289 417**

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCE COSTS

	Year ended 30/09/11	Year ended 30/09/10
	R	R
Interest paid on other financial liabilities measured at amortised cost		
Bank	5 457	5 906
Trade payables	21 182	64 998
Finance lease liabilities	301 203	481 719
Total	**327 842**	**552 623**
South African Revenue Service	154 576	221 074
Total	**482 418**	**773 697**

16. OPERATING PROFIT

Operating profit for the year has been arrived at after charging:

	Year ended 30/09/11	Year ended 30/09/10
	R	R
Directors' emoluments	3 197 248	3 289 417
Employee costs	8 896 634	6 989 196
Auditors' remuneration	365 380	325 020
Bad debt	1 639 496	1 310 892
Operating leases	1 095 144	738 313
Depreciation	4 778 466	3 973 114
Amortisation	930 550	996 991
Legal fees	210 208	82 627
Consulting fees	1 533 099	1 241 451

17. TAXATION

Tax expense comprises:

	Year ended 30/09/11	Year ended 30/09/10
Current		
Income tax	4 222 936	4 085 400
Secondary Tax on Companies	691 829	321 434
Deferred		
Deferred tax relating to the origination and reversal of temporary differences	(101 265)	319 675
Total	**4 813 500**	**4 726 509**

This promulgated effective tax rate is 28% (2010: 28%).

Reconciliation between the applicable tax rate and the average effective tax rate:

Applicable tax rate	28.00%	28.00%
Secondary Tax on Companies	4.67%	2.56%
Origination and reversal of temporary differences	-	0.91%
Exempt income	(0.45%)	(2.51%)
Prior year adjustment	(0.30%)	-
Disallowed expenses	0.57%	8.73%
Average effective tax rate	**32.49%**	**37.69%**

18. EARNINGS AND HEADLINE EARNINGS PER SHARE

	Year ended 30/09/11	Year ended 30/09/10
	Cents	Cents
Earnings per share	23.81	18.61
Diluted earnings per share	23.81	18.61
Headline earnings and diluted headline earnings per share	23.80	19.36

The EPS and HEPS were determined using the following information:

	R	R
Earnings – used in the calculation of earnings per share and diluted earnings per share:		
Profit attributable to shareholders of the company	10 000 351	7 814 357
Headline earnings		
Profit attributable to shareholders of the company	10 000 351	7 814 357
Adjusted for:		
(Gain)/Loss on the disposal of plant and equipment	(4 670)	318 187
Total	**9 995 681**	**8 132 544**

Weighted number of ordinary shares outstanding:	**Number of shares issued**	**Weighted average number of shares**
Shares as at 30 September 2011	42 000 000	42 000 000
Shares as at 30 September 2010	42 000 000	42 000 000

19. DIVIDEND PER SHARE

	R	R
Dividends declared from retained earnings	7 140 000	3 780 000
Capital distributions from Share premium	-	2 100 000
Total Dividends	7 140 000	5 880 000
Shares in issue	42 000 000	42 000 000
Dividend per share (DPS)	**0.17**	**0.14**

20. 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 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

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

- Trade and other receivables;
- Cash and cash equivalents;
- Finance lease liabilities;
- Trade and other payables; and
- Bank overdraft.

The group is currently exposed to credit risk, liquidity risk and market risk (which comprises cash flow interest rate risk). The group is not exposed to foreign exchange risk as the group does not have any direct dealings with suppliers or customers where an exchange risk may occur.

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, credit risk and the use of derivative financial instruments. The directors monitor their collections from the group's receivables, movement in prime lending rates and the risks that the group is exposed to based on current market conditions, on a monthly basis.

The 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:

- 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 are to a credit verification procedure before agreements are entered into;
- Reviewing the trade debtors' age analysis weekly with the intention of minimising the group's exposure to bad debts;
- Maintaining cash balances and agreed facilities with reputable financial institutions;
- 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.

Financial assets by category

30/09/11	Loans & Receivables	Total
	R	R
Trade and other receivables	20 024 147	20 024 147
Cash and cash equivalents	20 420 572	20 420 572
Total	**40 444 719**	**40 444 719**

30/09/10	Loans & Receivables	Total
	R	R
Trade and other receivables	18 726 561	18 726 561
Cash and cash equivalents	20 144 204	20 144 204
Total	**38 870 765**	**38 870 765**

Financial liabilities by category

30/09/11	Amortised cost	Total
	R	R
Finance lease liabilities	2 642 707	2 642 707
Trade and other payables	27 256 316	27 256 316
Bank overdraft	65 311	65 311
Total	**29 964 334**	**29 964 334**

30/09/10	Amortised cost	Total
	R	R
Finance lease liabilities	4 523 183	4 523 183
Trade and other payables	28 155 260	28 155 260
Bank overdraft	72 179	72 179
Total	**32 750 622**	**32 750 622**

Credit risk

Credit risk arises from trade receivables. The credit quality of customers is assessed by taking into account their financial position, past experience and other factors. Individual risk limits are set internally and are regularly monitored. It is the group's policy that all customers be subjected to a credit verification procedure before agreements are entered into. In addition, the trade debtors' age analysis is reviewed weekly with the intention of minimising the group's exposure to bad debts.

When a customer is identified as having cash flow problems, the credit manager will take the following steps:

- Confirm the situation with the customer;
- Advise the director of the situation during the monthly meeting at which outstanding debtors balances are reviewed;
- Place the customer on hold to mitigate further risks; and
- Issue letters of demand and decide whether to proceed with further legal action.

Should the need arise it would be the group's policy to take collateral. To date no collateral has been taken or obtained. Trade receivables that are neither past due nor impaired are considered to be of high credit quality accompanied by an insignificant default rate.

The group does not provide for impairment losses on a general basis. Debts that are past due are impaired based on evidence of the factors cited above and in the accounting policy.

Reconciliation of the movement of the Allowance for doubtful debt	**30/09/11**	**30/09/10**
Balance brought forward	424 958	1 029 747
Increase/ (Decrease) in the allowance	1 639 496	(107 698)
Debts written off against the allowance	(564 454)	(497 091)
Balance carried forward	**1 500 000**	**424 958**

The maximum exposure of financial assets to credit risk equates to the carrying amounts as presented on the Statement of Financial Position. The carrying amount of financial assets that are past due at reporting date but not impaired:

30/09/11	**Total receivable before impairment**	**Impairment provision**	**Net receivable after impairment provision**
	R	**R**	**R**
Less than 60 days	1 396 858	(30 000)	1 366 858
Less than 90 days	685 870	(140 000)	545 870
Greater than 90 days	2 546 975	(1 300 000)	1 246 975
Total	**4 629 703**	**(1 470 000)**	**3 159 703**

30/09/10	**Total receivable before impairment**	**Impairment provision**	**Net receivable after impairment provision**
	R	**R**	**R**
Less than 60 days	1 257 047	(50 511)	1 206 536
Less than 90 days	332 278	(23 580)	308 698
Greater than 90 days	937 029	(283 281)	653 748
Total	**2 526 354**	**(357 372)**	**2 168 982**

The directors consider the time bands used above as most reflective in assessing the group's performance and operations.

The group's maximum exposure to credit risk in light of concentration with regard to trade receivables can be classified per significant customer as follows:

	30/09/11	30/09/10
	R	R
Customer A *	-	2 778 102
Customer B	8 911 373	7 030 229
Customer C	3 460 634	130 530
Other customers	7 441 360	8 748 343
	19 813 367	**18 687 204**

* Trading with Customer A ceased during the current financial year. There was no outstanding balance due by Customer A at year end and no provision for doubtful debt was required.

Liquidity risk

Liquidity risk is the risk that the group will experience financial difficulty in meeting its financial obligations as they fall due. The group's policy is to ensure that it will always have sufficient cash to allow it to meet its obligations when they fall due. To achieve this it seeks to maintain cash balances and agreed facilities with reputable financial institutions. This is also achieved by monitoring the economy to ensure that necessary price increases are effected. There have been no defaults or breaches on finance lease liabilities and Trade payables during the course of the financial year. Furthermore, security has been provided for Finance lease liabilities, which is disclosed in note 9 above. The group has no un-used banking facilities.

Management of liquidity risk in regard to financial liabilities includes a daily review of the group's bank accounts and transfer of excess funds from the main current account to other facilities in order to increase the group's interest earnings.

Contractual maturity analysis

30/09/11	Payable within one year or on demand	Payable within 2 to 5 years	Payable after 5 years
	R	R	R
Non-derivative financial instruments:			
Trade and other payables	27 256 316	-	-
Bank overdraft	65 311	-	-
Finance lease liabilities	2 305 928	336 779	-
	29 627 555	**336 779**	**-**

30/09/10	Payable within one year or on demand	Payable within 2 to 5 years	Payable after 5 years
	R	R	R
Non-derivative financial instruments:			
Trade and other payables	28 155 260	-	-
Bank overdraft	72 179	-	-
Finance lease liabilities	2 712 931	2 185 005	-
	30 940 370	**2 185 005**	**-**

Market risk

Market risk arises from the group's use of variable interest rate finance lease liabilities and bank balances that are carried at amortised cost. It is the risk that the future cash flow of a financial instrument will fluctuate because of changes in interest rates. Future changes to the prime lending rates will have a direct impact on the future cash payments towards the settlement of the financial obligation. The risk remains un-hedged at the reporting date. Exposure to cash flow interest rate risk on financial assets and liabilities is monitored on a continuous basis. The group does not carry any fixed interest bearing financial instruments and is therefore not exposed to fair value interest rate risk.

Interest rates on finance lease liabilities are linked to the overdraft rate. The prime rate as at year end was 9.0% (2010: 9.5%). The interest rates on finance lease liabilities vary from 8.5% to 8.75% (2010: 8% to 9%).

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. Cash and cash equivalents comprise cash in hand and bank balances. Excess funds are deposited with reputable financial institutions on a rate quotation basis. 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 Consolidated Statement of Comprehensive Income of an instantaneous increase or decrease in market interest rates on financial instruments from the applicable rate as at 30 September 2011, for each class of financial instrument with all other variables remaining constant. The calculations were determined 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.

After tax effect on profit or loss of a 1% change (increase or decrease) in the South African lending rate:

	30/09/11	30/09/10
	R	R
Trade and other receivables	-	-
Cash and cash equivalents	204 206	201 442
Bank overdraft	(653)	(722)
Variable rate finance lease liabilities	(26 427)	(41 738)

Capital management

The group's capital structure consists of debt which includes interest-bearing borrowings, cash and cash equivalents and equity attributable to equity holders of the company 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.

21. COMMITMENTS FOR EXPENDITURES

Operating lease payments represent rentals payable by the group for certain of its office properties. Leases are negotiated annually and rentals are fixed for 12 months. No contingent rent is payable.

	30/09/11	30/09/10
	R	R
Minimum operating lease payments under non cancellable leases due		
- Within one year	1 260 990	1 007 400
- Within two to five years	212 792	5 351 100
- After five years	-	10 001 295

22. RELATED PARTIES

Related parties

Relationships

Subsidiary	Skycall Networks (Pty) Ltd
Entity in which a member of key management has a beneficial interest or a director.	
IG Bekker	Wilbek Properties CC Expectra 51 (Pty) Ltd Expectra Telephony Audits (Pty) Ltd
J Voigt	PerfectWorx Consulting (Pty) Ltd Contineo Virtual Communications (Pty) Ltd
BR Topham	Brandon Topham Inc SEESA (Pty) Ltd
MB Pretorius	Snowy Owl Properties 82 (Pty) Ltd Zero plus trading 194 (Pty) Ltd Maison D'Obsession Trust Orcom Trading 316 (Pty) Ltd TeleMasters (Pty) Ltd

Related party transactions

Details of transactions between the group and related parties are disclosed below:

	30/09/11	30/09/10
	R	R
Rent paid to related parties		
Snowy Owl Properties 82 (Pty) Ltd	1 056 658	474 600
Wilbek Properties CC	-	75 868
Commission paid to related parties		
TeleMasters (Pty) Ltd	1 015 578	7 561 464
Expectra Telephony Audits (Pty) Ltd	103 713	73 251
Expectra 51 (Pty) Ltd	49 333	40 985
Orcom Trading 136 (Pty) Ltd	-	3 890
Sales to related parties		
TeleMasters (Pty) Ltd	39 585 381	57 110 550
Purchases from related parties		
PerfectWorx Consulting (Pty) Ltd	1 386 519	629 493
Contineo Virtual Communications (Pty) Ltd	430 849	-
Consulting fees paid to related parties		
Brandon Topham Inc	206 300	33 915
SEESA (Pty) Ltd	73 662	64 684
Balances owing to related parties included in Trade and other payables		
TeleMasters (Pty) Ltd	356 651	150 956
Maison D'Obsession Trust	-	52 410
Brandon Topham Inc	-	8 892
Contineo Virtual Communications (Pty) Ltd	70 262	-
PerfectWorx Consulting (Pty) Ltd	128 421	-
Balances owing by related parties included in Trade and other receivables		
TeleMasters (Pty) Ltd	1 932 949	7 030 229
Snowy Owl Properties 82 (Pty) Ltd	-	9 748
Zero plus Trading 194 (Pty) Ltd	-	2 850

23. SUBSEQUENT EVENTS

Other than those points mentioned in paragraph 5 of the Director's report above, the directors are unaware of any other significant 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 period under review or its financial position as at 30 September 2011.

24. ACQUISITION OF BUSINESSES

With effect from 1 March 2010, the Company acquired 100% of the voting equity shares and claims in the subsidiary, Skycall Networks (Pty) Ltd, for R1 800 000. The purchase consideration was paid in cash and the business acquisition was finalised during the prior year

Skycall Networks (Pty) Ltd is the owner of telecommunication licences required by the company in order to utilise the new technologies available in the industry.

The recognised goodwill is a result of synergies expected from the availability to convert existing lines.

Fair value of assets and liabilities at acquisition	**Year ended 30/09/10**
	R
Non-current assets	
Intangible assets	300 000
Deferred tax	3 785 944
Current liabilities	
Trade and other payables	(4 972 723)
Total net liabilities	**(886 779)**
Consideration paid	
Equity	-
Cash	1 800 000
Goodwill	**2 686 779**

The operating profit for the subsidiary during the current financial year amounted to R210 048. During the prior year a loss of R83 575 occurred from date of acquisition to reporting date. This loss was included in the group's profit for the prior period. Had the acquisition occurred at the beginning of the prior financial period, the group's revenue would have been R237 462 954 and the profit before tax would have been R7 480 259, for the prior year.

SHAREHOLDER ANALYSIS

Shareholders holding more than 5% – at September 2011

	% Holdings	No. of shareholders	No. of shares
Shareholder			
Maison D'Obsession Trust – CEO beneficial interest	85%	1	35 700 000
Total	**85%**	**1**	**35 700 000**
Shareholder analysis			
Directors	86.20%	2	36 207 458
Public and staff with no restrictions on dealings	13.80%	263	5 792 542
Total	**100%**	**265**	**42 000 000**

Shareholders holding more than 5% – at September 2010

	% Holdings	No. of shareholders	No. of shares
Shareholder			
Maison D'Obsession Trust – CEO beneficial interest	85%	1	35 700 000
Total	**85%**	**1**	**35 700 000**
Shareholder analysis			
Directors	87.50%	3	36 767 115
Public and staff with no restrictions on dealings	12.50%	321	5 232 885
Total	**100%**	**324**	**42 000 000**

NOTICE OF THE ANNUAL GENERAL MEETING

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

Notice is hereby given
That the annual general meeting of shareholders of the Company will be held in the boardroom of TeleMasters Holdings Ltd, 90 Regency Street, Route 21 Corporate Office Park, Irene, 0157, Pretoria, at 9h30 on 14 June 2012 to consider, and if deemed fit, to pass, with or without modifications the following resolutions:

1. **Ordinary resolution number 1 – Annual financial statements**

   "**RESOLVED THAT** the annual consolidated financial statements of the group for the year ended 30 September 2011, together with the Directors' and Auditors' reports thereon, be and are hereby received, considered and adopted."

2. **Ordinary resolution number 2 – Director appointment**

   "**RESOLVED THAT** the appointment of Mr BR Topham as Financial Director with effect from 25 December 2011 be and is hereby approved."

   A curriculum vitae for Mr BR Topham is set out under Directors' and Executive Managers' Profiles.

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

   "**RESOLVED THAT** Mr DS van der Merwe, who retires in accordance with the provisions of the Company's Memorandum of Association, 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 DS van der Merwe is set out under Directors' and Executive Managers' Profiles.

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

   "**RESOLVED THAT** Mr VI Beck, who retires in accordance with the provisions of the Company's Memorandum of Association, 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 VI Beck is set out under Directors' and Executive Managers' Profiles.

5. **Ordinary resolution number 5 – Directors' remuneration**

   "**RESOLVED THAT** the remuneration paid to executive and non-executive directors for the financial year ending 30 September 2011 as disclosed in note 14 of the annual financial statements, be and is hereby approved."

6. **Ordinary resolution number 6 – Re-appointment of auditors and remuneration**

"**RESOLVED THAT** the reappointment of BDO South Africa Incorporated as the auditors be and is hereby approved and that the Audit Committee be and is hereby auhtorised to determine the remuneration of the auditors."

Explanatory Note:
BDO South Africa Incorporated have indicated their willingness to continue as the group's auditors until the next annual general meeting. The Audit Committee has satisfied itself as to the independence of BDO South Africa Incorporated. The Audit Committee has the power in terms of the Companies Act, 2008 to approve the remuneration of the external auditors. The remuneration paid to the auditors during the year ended 30 September 2011 is contained in note 16 of the annual financial statements. The auditors have not received any remuneration for non-audit fees.

7. **Ordinary resolution number 7 – Placing unissued 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 Association and the JSE Listings Requirements."

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;
- 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 Securities Exchange News Service (SENS), give full details thereof, including the effect on the net asset value of the Company and earnings per share;
- The aggregate issue of a class of shares already in issue in any financial year will not exceed 50% of the number of that class of shares (including securities which are compulsorily convertible into shares of that class); 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."

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."

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

"**RESOLVED THAT** the interim dividends and capital distributions as disclosed in note 19 of the annual financial statements, totalling 17 cents per share declared and paid by the directors for the financial year ending 30 September 2011 be and are hereby approved as final."

11. **Ordinary resolution number 11 – Appointment of VI Beck as member and Chair of the Audit Committee**

"RESOLVED THAT the continued appointment of VI Beck as a member and Chair of the Audit Committee of the Company for the forthcoming year ended 30 September 2012 and until the next AGM be and is hereby approved."

12. **Ordinary resolution number 12 – Appointment of J Voigt as member of the Audit Committee**

"RESOLVED THAT the continued appointment of J Voigt as a member of the Audit Committee of the Company for the forthcoming year ended 30 September 2012 and until the next AGM be and is hereby approved."

13. **Ordinary resolution number 13 – Appointment of DS van der Merwe as member of the Audit Committee**

"RESOLVED THAT DS van der Mewe be and is hereby appointed as a member of the Audit Committee of the Company for the forthcoming year ended 30 September 2012 and until the next AGM be and is hereby approved."

14. **Special resolution number 1 – Non-executive directors' remuneration**

"**RESOLVED THAT** the non-executive directors' remuneration for the year commencing 1 October 2011 as detailed below be and is hereby approved."

	Amount per annum
Mr DS van der Merwe	180 000
Mr J Voigt	120 000
Mr VI Beck	120 000

Shareholders are required to approve the remuneration of 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..

15. 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 inter-related persons from time to time, subject to the provisions of the JSE Limited's Listings Requirements and as the directors in their discretion deem fit.

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 inter-related persons and to allow intergroup loans between subsidiaries. This special resolution requires a vote of 75% of shareholders eligible to vote.*

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, Computershare Investor Services (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg 2001 by no later than 09h30 on 12 June 2012 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:

(a) if the shareholder is an individual, a certified copy of his identity document and/or passport;

(b) 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;

(c) a valid e-mail address and/or facsimile number (the "contact address/number") and

(d) 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 hours before the commence of the annual general meeting the Company shall use its reasonable endeavours to notify a shareholder at its 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, Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2170) by no later than 09h30 on 12 June 2012.

By order of the Board

Brandon Topham Inc.
Company Secretary
100A Club Avenue
Waterkloof Ridge, Pretoria

FORM OF PROXY

TELEMASTERS HOLDINGS LIMITED Incorporated in the Republic of South Africa,
Registration number 2006/015734/06**,** Share code: TLM ISIN: ZAE000093324**,**
("TeleMasters" or "the Company")

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 the boardroom of TeleMasters Holdings Ltd, 90 Regency Street, Route 21 Corporate Office Park, Irene, 0157, Pretoria, at 9h30 on 14 June 2012 ("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,

3. 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 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 annual financial statements			
Ordinary resolution number 2 – Appointment of Financial Director – BR Topham			
Ordinary resolution number 3 – Director retirement and re-election - DS van der Merwe			
Ordinary resolution number 4 – Director retirement and re-election - VI Beck			
Ordinary resolution number 5 – Directors' remuneration			
Ordinary resolution number 6 – Re-appointment of auditors and remuneration			
Ordinary resolution number 7 – Placing unissued shares under control of directors			
Ordinary resolution number 8 – General authority to allot and issue shares for cash			

FORM OF PROXY

	Number of votes (one vote per share)		
	For	Against	Abstain
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 VI Beck as member & Chair of Audit Committee			
Ordinary resolution number 12 – Appointment of J Voigt as member of Audit Committee			
Ordinary resolution number 13 – Appointment of DS van der Merwe as member of Audit Committee			
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			

Signed at on 2012

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 9h30 on 14 June 2012 in the boardroom of TeleMasters Holdings Ltd, 90 Regency Street, Route 21 Corporate Office Park, Irene, 0157, Pretoria, 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, Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2170) to be received by no later than 09h30 on 12 June 2012.

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.

FORM OF PROXY

Notes

1. 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.
2. 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.
3. 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.
4. A member or his proxy is not obliged to vote in respect of all the ordinary shares held or represented by him 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 his/her proxy is entitled.
5. Forms of proxy must be lodged with the transfer secretaries of the Company by no later than 9h30 on 12 June 2012.
6. 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.
7. Any alterations or corrections to this form of proxy must be initialled by the signatory/ies.
8. 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.
9. 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 in terms of paragraph 6.3 or expires earlier in terms of paragraph 10.4 below (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 shareholder 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)).
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:

10.1.1 bear a reasonably prominent summary of the rights established in section 58 of the Companies Act (section 58(8)(b) (i)); 10.1.2 contain adequate blank space, immediately preceding the name(s) of any person(s) named in 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)); and 10.1.3 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 intended to be used, subject to paragraph 7 above (section 58(8)(d)).