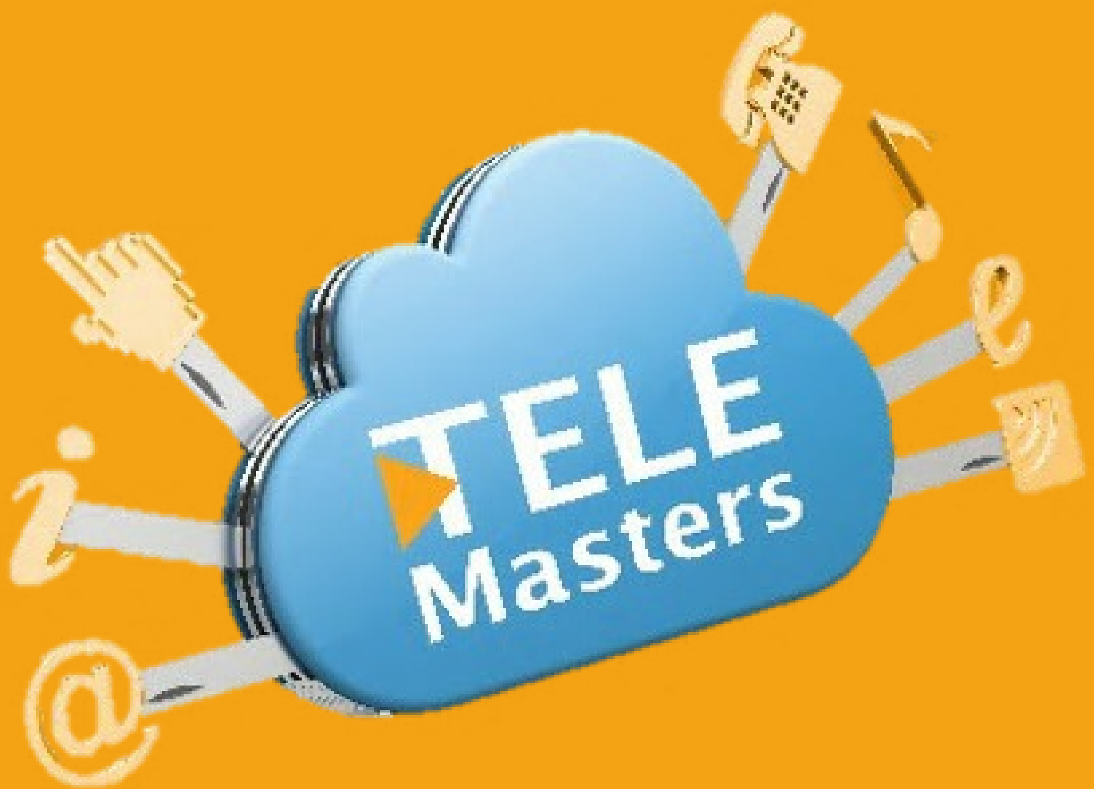


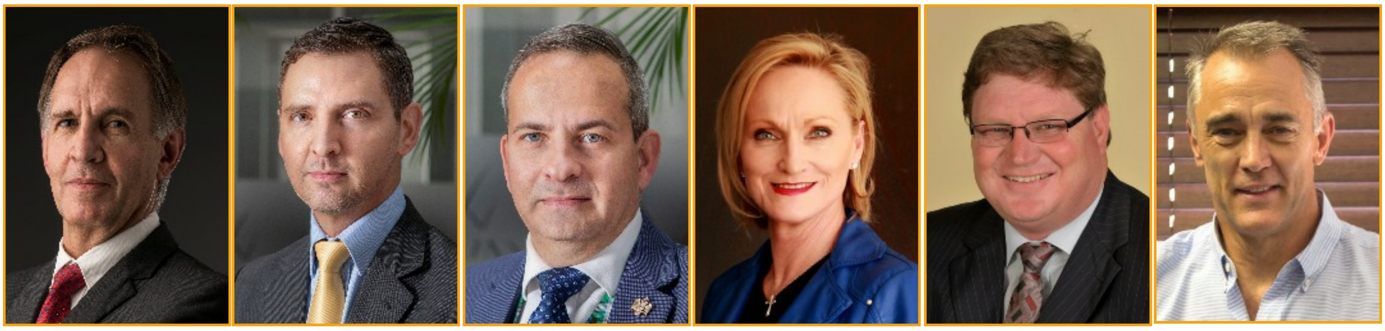
TELE Masters

Integrated Report

2018

TELEMASTERS HOLDINGS LIMITED
Registration Number 2006/015734/06

The annual financial statements included in this integrated report as a separate document have been audited in terms of the Companies Act, No. 71 of 2008 by NEXIA SAB&T and were prepared by the Chief Financial Officer – Brandon Topham CA(SA)
Issued: 23 October 2018 & Published 30 October 2018



Members of the Board:
TeleMasters Holdings Limited

Directors:
Mario Pretorius (Non-executive Chairman)
Jaco Voigt CEO
Brandon Topham CFO
Mariette Tappan (Non-executive Director)
Marthinus Erasmus (Non-executive Director)
Fred Steinberg (Non-executive Director)

TeleMasters Holdings Limited is celebrating 21 years in the telecommunications services industry. TeleMasters listed on 12 March 2007 on the Johannesburg Stock Exchange via private placement of shares at 50c each. There are 42 million shares in issue.

In 2018 we have embarked on a new strategic course, focused on addressing increasing Digital Transformation trends and customer requirements. Our new approach consist of the following 4 key product pillars: Connectivity, Communications, Cloud and Security – underpinned by strong Reporting and Analytics capabilities. Each of the key pillars consist of a number of key products, which we believe will address the needs of our customers – and even address some needs they didn't know they had. We have fast-tracked the introduction of these comprehensive offerings to our customers – there is a lot of exciting things to come.

From a customer engagement perspective, we aim to bring back the human connection, beyond the digital connection. And while, yes, we'll provide state-of-the-art systems, strategies and solutions, we aim to buck the tech trend. As a trusted guide and longstanding lodestar, no user will be left in the lurch.

Our focus has, and will remain on quality and productivity - in our service and support to clients we aim to provide tangibly better services to market, and increase the services that add value to our customers.

We are located in Route 21 Office Park Centurion, Cape Town and Durban and we have extensive representation throughout South Africa.

INFINITUDE: (n) - the state or quality of being infinite or having no limit

Adriaan van der Merwe

Amogelang Rakhadu

Andre Boshoff

Ash Govender

Barry Venter

Brice Griggs

Caitlin Watt

CJ van der Merwe

Constance Mokgaditse

Denise Africa

Dion Willis

Eben Augustyn

Elizabeth Makhafola

Enrico Brits

Gavin Parsons

CORPORATE PROFILE


Gerda Orsmond


Gert Nortman


Irma Smith

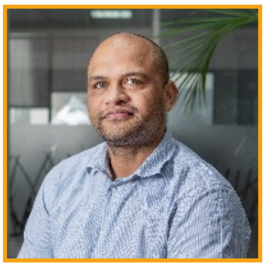

Jakes Ackermann


Jene le Grange


Justin DeMeyere


Magda van der Walt


Mandy Tesner


Mark van Wyk


Michael Saayman


Moira Burger


Ohna Botha


Precious Mathaga


Riaan le Roux


Robert Hart


Ruan le Roux


Sascha Ramirez-Victor


Sirshin Pillay


Shane Butler


Shuaib Amra


Siya Hlengethwa


Sizwe Sikhosana


Stynberg van Zyl


Tiaan Maree


Tobias Carstens


Trully Ntuli


Wesley Rostoll


Zelda Matthee


Zelda Prinsloo

TELE Masters

VISION AND VALUES

Our **VISION** is to be a premier investment entity in the information and 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 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, INTEGRITY 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 means that we can reward all contributors and shareholders appropriately.

The Gross profit percentage has increased to 37.8% compared with 33.5% in the prior year. The transition from older, GSM SIM card technology deployed at customers over the last 22 years, to data service-based voice and internet access services are both cheaper and deployed with higher margins. The reduction in turnover is partially reflected by the new and replacement sales of the newer technology but also due to the loss of customers that could not be served.

The appointment of new CEO Jaco Voigt on 1 January brought a change in direction in the sales channel strategy as well as an acceleration in the introduction of more comprehensive offerings to customers. TeleMasters' new ground-breaking unified communication services are in many cases proprietary and unique. These services are offered at very good margins but require investments in sales expertise over the next financial period.

We have in this financial period managed to keep our operating expenditure relatively stable with an increase of 6% despite our more profitable gross profit margin. This resulted in an increased operating profit before tax of R4 138 828 compared with R3 625 817 in the 2017 year. Our earnings per share increased from 5.85 cents per share to 7.38 cents per share, an increase of 26% with an increase of Headline Earnings per share of 26.50% to 7.36 cents up from 5.85 cents per share in 2017.

The net cash from operating activities increased by a healthy 135% to R16 924 531 compared with R7 192 350 in the 2017 year, due to improved focus on working capital management. This positive cash generation is a key component of our business principles and is a result of our focus on building an annuity-based business model.

The Net Asset Value increased to 85 cents per share compared with 82.61 cents per share in 2017, this despite dividends of 5 cents per share being paid to shareholders, compared with 2 cents in the prior year.

Our current working capital ratios and borrowings as a percentage of fixed asset ratios have improved in line with the improved liquidity position of the Group.

The Company strategy is clear: it aims to serve as a Trusted Advisor to its customers, while offering a clear road-map of the business communications journey. The Company has structured a stack of essential products that will easily make Digital Transformation tangible and effective. Customers can progress at their own pace, with the necessary peace of mind, that when ready, they know that TeleMasters has the answer.

Coupled with our strong product offering, we are paying specific attention to Reporting and Analytics, as we firmly believe we need to help interpret communications behaviour in a business in order to drive optimization and productivity. We have established a team of Solution Advisors to pro-actively drive and support this strategy and we are busy growing the team. We are committed to building long term, lasting relationships with our customers, as we accompany them on their Digital Transformation journey. With this strategy, we have diversified our route to market: we now have direct and indirect routes to market, which we believe will enable better market penetration.

Our product strategy is centred around driving customers to the Cloud - this is the golden opportunity for customers to unlock business value and drive efficiency and productivity. We have a brand new, world-class Unified Communications product which will change the way that our customers do business – this is a game changer.

We will investigate opportunities for diversification and growth within the sector in the coming year through the identification and acquisition of complementary businesses to further aid in a more unified and competitive product offering to customers and improved profitability for shareholders. As part of our new direction, we are also placing renewed focus on our marketing strategy. As a first step, we are in the process of reviewing our brand identity, in order to align our marketing efforts with the sales activities in progress, but also longer term with what we believe we want to be for our customers. We are excited at what the future holds, as we morph into the Next Generation player we believe ourselves to be.

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

MB Pretorius
Chairman

J Voigt
Chief Executive Officer

CORPORATE GOVERNANCE REPORT

The Board hereby confirms its commitment to the principles of integrity, competence, fairness, accountability, responsibility and transparency. Through this process, shareholders and other stakeholders may derive assurance that the group is being managed ethically, according to prudently determined risk parameters and in compliance with generally accepted corporate practices. The Board has examined the principles and practices of the King IV Report and the JSE Listings Requirements with 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 four non-executive directors and two executive directors. The non-executive directors are not appointed under service contracts. Three of the four non-executive directors are independent.

The directors' terms of office are as follows:

Director	Date appointed	Date resigned
Brandon Rodney Topham – Executive	7 September 2006	
Mario Brönn Pretorius – Non-executive	2 November 2006	
Jaco-Muller Voigt –Executive	12 May 2008	
Daniel Stephen van der Merwe – Non-executive independent	01 April 2009	31 May 2018
Mariette Tappan – Non-executive independent	1 February 2018	
Willem Frederik Steinberg – Non-executive independent	1 June 2018	
Marthinus Gerhardus Erasmus - Non-executive	07 August 2014	

Due to required rotation of directors, MG Erasmus and MB Pretorius will retire as directors. Both will offer themselves for re-election at the annual general meeting of shareholders. Their curriculum vitae are set out under the Directors' Profiles section of this report.

None of the directors' remuneration is tied to the group's financial performance.

All directors' interests in terms of Section 75 of the Companies Act, No. 71 of 2008 (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. The directors are properly briefed in respect of special business prior to board meetings and information is timeously provided to enable them to consider all the issues being dealt with. The directors do make further enquiries where necessary.

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

Name	# of meetings	# of meetings attended
Brandon Rodney Topham	7	7
Mario Brönn Pretorius	7	7
Jaco-Muller Voigt	7	7
Daniel Stephen van der Merwe	5	5
Mariette Tappan	3	3
Willem Frederik Steinberg	1	1
Marthinus Gerhardus Erasmus	7	7

1.1 CHAIRMAN OF THE BOARD

The Chairman is elected by the Board. The Chairman is a non-executive director. The Chairman does not chair the Remuneration Committee.

The roles and responsibilities of the Chairman include:

- Setting the ethical tone for the Board and the group;
- Providing overall leadership to the Board;
- Managing relationships with shareholders and stakeholders for trust and confidence;
- Meeting with the CEO and/or CFO and/or Company Secretary before board meetings to discuss important issues and agree on the agenda;
- Setting the agenda for board meetings;
- Ensuring that complete, timely, relevant and accurate information is placed before the
- Board for informed decisions;
- Presiding over board meetings and ensuring productive board meetings;
- Presiding over shareholders' meetings;
- Formulating a work plan for the Board against its set objectives;
- Ensuring that the Board's decisions are executed;
- Managing directors' conflicts of interest with a register of interests and a process for recusal from voting;
- Evaluating the independence of the independent non-executive directors annually;
- Acting as the link between the Board, the CEO and management;
- Mentoring, developing and encouraging the directors;
- Conducting a formal annual performance evaluation of the Board, the directors and the sub-committees;
- Identifying training needs of the directors;
- Tailoring an induction programme for new directors to familiarise incoming directors with operations, the business environment and the sustainability of the group;
- To define the duties and responsibilities of board members and to brief them on risks, legislative changes, accounting standards and policies;
- Adopting a programme of continuing professional education of the directors;
- Identifying and participating in the selection of Board members in the absence of the
- Nomination Committee;
- Overseeing the succession plan for the Board and Senior Management; and
- Recommending the removal of non-performing or unsuitable directors.

1.2 CHIEF EXECUTIVE OFFICER

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

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

The roles and responsibilities of the CEO include:

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

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.

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.

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

- Any new appointment will be considered by the Board as a whole;
- Appointments to the Board are based on levels of skill, acumen, qualifications, experience and actual or potential contributions to the group, having due regard to employment equity, race and gender diversity requirements; and
- The Company Secretary will ensure that the new director attends the JSE Alt-X Requirement for Directors, namely to attend the 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 of the directors have attended this course.

3. ROLE AND FUNCTION OF THE BOARD

The Memorandum of Incorporation 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 economic, social and environmental sustainability of the group over the short and long term;
- Aligning group strategy and performance with the interests and expectations of shareholders;
- Establishing a proper corporate governance framework;
- Setting the ethical foundation for the group through setting and adhering to a Code of Conduct and an ethics management programme;
- Examining opportunities and implementing measures to ensure that all opportunities are seized;
- Maintaining governance of risk;
- Maintaining governance of information technology (IT);
- Establishing a framework for the delegation of authority;
- Setting a formal process for the appointment of directors in the absence of a Nomination Committee;
- Appointing a competent, suitably qualified and experienced Company Secretary;
- Establishing an effective and independent Audit & Risk Committee and approving its formal charter, agenda and work plan;
- Establishing a Remuneration Committee to ensure that directors and executives are remunerated fairly and responsibly;
- Ensuring that the group complies with all applicable laws and considers adherence to rules, codes and standards;
- Ensuring the integrity of the group's integrated report; and
- Reporting on the effectiveness of the group's system of internal controls.

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

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

4. BOARD COMMITTEES

Although the JSE Listings Requirements only provide for the establishment of an Audit & Risk Committee, the group has established a Remuneration Committee and a Social and Ethics committee as required by the Companies Act. All of these committee's report to the Board.

4.1 AUDIT & RISK COMMITTEE

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

The Audit & Risk Committee consists of three independent, non-executive directors. The Chief Financial Officer (CFO), all other directors of the company, the External Audit Partner and a representative of the Company's designated advisor are invited to attend all meetings but have no votes. The majority of the members of the Committee are financially literate.

The Shareholders appointed Mr M Erasmus as Chairman of the Audit & Risk Committee. He is a Chartered Accountant whose profile is set out under the Directors profile section of this report. Members of the Audit & Risk Committee collectively have the required qualifications and experience appropriate for the size, circumstance and industry of the group with regards to integrated reporting, internal financial controls, external and internal audit procedures, corporate law, risk management, sustainability issues and governance of processes within the group.

The Audit & Risk Committee convened on various occasions during the financial period under review, as set out in the Audit & Risk Committee report included in the Annual Financial Statements of the Group. The Audit & Risk Committee did meet separately with the external auditors during the year.

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

- Ensuring the integrity of the group's integrated report, accounting and financial reporting systems;
- Ensuring compliance with applicable legislation and the requirements of regulatory authorities;
- 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 to ensure that all such contracts are fair and reasonable and in the best interest of the group;
- Recommending the re-appointment or removal of the external audit firm and designated auditor, who is independent of the group, to the Board;
- Approving the external audit firm's terms of engagement;
- Approving the external 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 & Risk 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 compliance with the group's Code of Ethics.

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

4.2 REMUNERATION COMMITTEE

A Remuneration Committee 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 a non-executive director.

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

Name	# of meetings	# of meetings attended
Brandon Rodney Topham – by invitation	2	2
Mario Brönn Pretorius – Chairman from 1 June 2018	0	0
Jaco-Muller Voigt – by invitation	2	2
Daniel Stephen van der Merwe	2	2
Mariette Tappan	1	1
Willem Frederik Steinberg	0	0
Marthinus Gerhardus Erasmus	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 policy as agreed by the committee includes the following:

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

Contracts do not allow for balloon payments on termination or severance compensation due to any change in control.

Wages that are fair, equitable and industry related are offered and performance to the stated goals are measured, reported, reviewed and rewarded.

Performance payments are linked to ISO standard reviews and are transparent and a true reflection of the measured contribution.

No discrimination of any kind influences remuneration decisions.

Key executive remuneration is approved directly by the Remuneration Committee

The remuneration of each individual director and certain senior executives is set out in note 20 of the annual financial statements.

In line with King IV, the remuneration policy and implementation thereof will be tabled for two separate non-binding advisory votes at the AGM. If 25% or more of the shareholders vote against either resolution at the AGM, the Board will invite dissenting shareholders to engage with the Remuneration Committee on their issues.

4.3 SOCIAL AND ETHICS COMMITTEE

The Board has a Social and Ethics committee which comprises of all directors of the company. The committee has adopted a Charter and Terms of Reference to monitor company activities with reference to the law and best practices.

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

Name	# of meetings	# of meetings attended
Brandon Rodney Topham	1	1
Mario Brönn Pretorius	1	1
Jaco-Muller Voigt	1	1
Mariette Tappan - Chair	1	1
Willem Frederik Steinberg	1	1
Marthinus Gerhardus Erasmus	1	1

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 June 2018 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 and circulating the minutes timeously;
- Assisting the Chairman with the annual evaluation of the Board, the directors and senior management.

All directors have access to the advice and services of the Company Secretary. The Holding Company's company secretary also performs the company secretarial duties for the subsidiary in the group.

The board is satisfied that Sascha Ramirez-Victor, a qualified company secretary and an admitted attorney of the High Court of South Africa, has the required skills and competencies to assist the board in her role.

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

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

The auditors do not perform any non-audit services, other than providing limited tax assistance to obtain company tax clearance certificates.

8. INTERNAL AUDIT

The group has not established an internal audit function to evaluate to group's risk management, internal controls, governance processes and ethics, as the Board is of the opinion that the company is ethically and efficiently managed and that the costs of a separate internal audit function 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 & Risk Committee, outsource certain work to external consultants as and when the need arises. The Board is satisfied that there is an ongoing process for identifying, evaluating and managing any significant risks.

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

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 & Risk 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 is in place and all affected persons have access to the Company Secretary and the designated advisor should they have any doubt as to whether or not they may trade.

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;
- Equivalent standards of ethical behaviour are expected from individuals and companies with whom business is conducted.

12. GOVERNANCE OF INFORMATION TECHNOLOGY

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

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

13. SUSTAINABILITY REPORTING

Our current business methodology and telephony solutions for our clients remains at the leading edge of technological development. These technologies ensure our long-term sustainability whilst embracing technologies which have almost no environmental impact.

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

The overall well-being of the group's employees is regarded as very important and the group encourages its employees to raise any issue with the executive directors.

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

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

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

14. TRANSFER OFFICE

Link Market Services South Africa (Pty) Ltd act as the Company’s transfer secretary.

15. DESIGNATED ADVISOR

Arbor Capital Sponsors (Pty) Ltd acts as the Company’s designated advisor in compliance with the JSE Listings Requirements.

16. RACE AND GENDER DIVERSITY

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

17. APPLICATION OF THE KING IV REPORT ON CORPORATE GOVERNANCE FOR SOUTH AFRICA

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

For the period ended 30 June 2018, TeleMasters Holdings applied all the principles of King IV as disclosed below:

Leadership, ethics and corporate citizenship

Leadership

Principle 1 The Board should lead ethically and effectively.

TeleMasters board of directors (the Board) exercises effective leadership, with each director adhering to the duties of a director. The directors have the necessary competence and act ethically in discharging their responsibility to provide strategic direction and exercise control over the Company as provided for in the Board charter and the Company's Memorandum of Incorporation (MOI).

The Board charter outlines the policies and practices of the Board on matters such as directors' dealings in the securities of the Company and declarations of conflicts of interest. Directors adhere to the Company's declarations of interest policy, which is based on the requirements of the Companies Act 71 of 2008 requirements. The Board considers and takes note of the declarations of interests tabled and identifies and acts on untenable conflicts. Directors, executives and senior employees are prohibited from dealing in the Company's securities during certain prescribed periods. The Company Secretary regularly informs directors, executives and senior employees of the insider trading legislation and advises them of closed periods. A report on directors' dealings in the Company's shares is tabled at each Board meeting and is disclosed in terms of the applicable JSE listings requirements.

The Board is committed to driving the group strategy and operations of the Company based on an ethical foundation, to support a sustainable business whilst acting in the best interest of the Company and oversees and monitors implementation and execution by management, ensuring accountability for the Company's performance. The Board continually considers Company short- and long-term impact on the economy, society, environment and its stakeholders while considering relevant risks.

The Board exercises control through the governance framework of the Company which includes detailed reporting to the Board and its committees, Board reserved decision-making authority and a system of assurances on internal controls.

Organisational ethics

Principle 2 The Board should govern the ethics of the company in a way that supports the establishment of an ethical culture.

The Board determines and sets the tone of the Company's values and culture, including principles of ethical business practice, human rights considerations and the requirements of being a responsible corporate citizen and, through the Safety, Social and Ethics Committee, approves the Company's code of ethics, based on responsibility, honesty, fairness and respect.

Management has been delegated the responsibility for implementation and execution of the Code of Ethics ("the Code") and the Board, with the assistance of the Social and Ethics Committee, exercises ongoing oversight of the management of ethics, monitoring the Company's activities regarding ethics and ensuring it is integrated in the operations of the Company.

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

Responsible corporate citizenship

Principle 3 The Board should ensure that the company is and is seen to be a responsible corporate citizen.

In accordance with its role of overseeing the Company's conduct as a good corporate citizen, the Board approves the strategy and priorities of the business, including material matters and, more specifically, those related to sustainability. Through stakeholder engagement and collaboration, the Company has committed to understanding and being responsive to the interests and expectations of stakeholders and to partnering with them in finding lasting solutions to sustainability challenges.

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

Strategy, performance and reporting

Strategy and performance

Principle 4 The Board should appreciate that the company's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

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

Reporting

Principle 5 The Board should ensure that reports issued by the company enable stakeholders to make informed assessments of the company's performance, and its short, medium and long-term prospects.

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

The Audit & Risk Committee oversees the integrated reporting process and reviews the audited financial statements.

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

Governing structures and delegation

Primary role and responsibilities of the Board

Principle 6 The Board should serve as the focal point and custodian of corporate governance in the company.

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

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

An appropriate governance framework and the necessary policies and processes are in place to ensure adherence to essential Group requirements and minimum governance standards. As a direct shareholder, the Company exercises its rights and is involved in the decision-making of its subsidiaries on material matters. Subsidiaries have adopted the governance framework as appropriate and have aligned it to their MOI.

Composition of the Board

Principle 7 The Board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively

The capacity of each director is categorised as defined in the JSE listings requirements, also taking into consideration King IV and other factors as there are two executive directors on the Board namely the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO). In terms of the Company's MOI, one-third of non-executive directors must retire at every AGM and are eligible for re-election. When considering appointment or re-election of directors, the Board, considers the knowledge, skills and resources required for conducting the business as well as considering its size, diversity and demographics to ensure its effectiveness.

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

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

Committees of the Board

Principle 8 The Board should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties.

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

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

After year end, a restructure of the Board has resulted in the number of non-executive directors being reduced from three to two, which has a direct impact on the constitution of the Audit & Risk Committee. The Board is aware of this and appropriate steps are being taken to address this vacancy within the required timelines.

External advisors, executive directors and members of management attend Committee meetings by invitation. The Committees play an important role in enhancing high standards of governance and achieving increased effectiveness within the Group. Formal terms of reference are established and approved for each Committee, which are reviewed regularly. The committee has its own charter.

The Board considers the allocation of roles and associated responsibilities and the composition of membership across Committees holistically, to achieve the following:

- Effective collaboration through cross-membership between committees, where required; coordinated timing of meetings; and avoidance or duplication or fragmented functioning in so far as possible.
- There is a balanced distribution of power in respect or membership across Committees, so that no individual has the ability to dominate decision making, and no undue reliance is placed on any individual.

A delegation by the Board of its responsibilities to a Committee will not by or of itself constitute a discharge of the Board's accountability.
The Board applies its collective mind to the information, opinions, recommendations, reports and statements presented by the chairman of a Committee.

Audit & Risk Committee

The Board has an Audit & Risk Committee comprising of non-executive directors only and its independence and effectiveness is reviewed on an annual basis. The Audit & Risk Committee is constituted as a statutory committee of TeleMasters Holdings Limited in respect of its statutory duties in terms of section 94(7) of the Companies Act and a committee of the Board in respect of all other duties assigned to it by the Board.
The Committee performs the functions as set out in the Companies Act. Adequate processes and structures have been implemented to assist the Committee in providing oversight and ensuring the integrity of financial reporting, internal control and other governance matters relating to subsidiaries.

The Audit & Risk Committee consists of 3 non-executive directors. The Chairman of the Board is a member of the Committee. Members of the Committee are elected by shareholders. All Committee members are financially literate and have extensive Audit & Risk Committee experience.

The Committee provides independent oversight of, among others, the effectiveness of the Company's assurance services, with focus on combined assurance arrangements, including external assurance service providers and the finance function and the integrity of the AFS and, to the extent delegated by the Board, other external reports issued by the Company. The Committee also considers annually and satisfies itself of the appropriateness of the expertise and experience of the CFO and the finance function.

The performance of the Audit & Risk Committee and significant issues dealt with during the year are described in the Report of the Audit & Risk Committee included in the AFS.

Remuneration Committee

The Remuneration Committee is responsible for overseeing remuneration. All members of the Committee are non-executive directors. The Chairman of the Board is a member of the Committee.

Social and ethics committee
The Social and Ethics Committee is responsible to oversee and report on ethics, responsible corporate citizenship, sustainable development and stakeholder relationships. It is also responsible to execute on the statutory duties set out in the Companies Act.
The Chairman of the Board, as well as the CEO and the CFO, are members of the Committee.

Evaluations of the performance of the Board governing body

Principle 9 The Board should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.

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

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

The role of the Chairman is formalised and every second year an assessment of the Chairman's ability to add value and his performance against what is expected of his role and function is conducted by the Board. The board is currently considering the appointment of a lead independent director who will be responsible for ensuring that the performance of the Chairman is evaluated annually. The Board is responsible for succession planning for the position of the Chairman.

Appointment and delegation to management

Principle 10 The Board should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.

The Board approves and regularly reviews the framework and top-level delegation of authority in terms of which matters are delegated to the CEO. The CEO is the highest executive decision-making authority of the Group and is delegated with authority from and is accountable to the Board for the successful implementation of the Group strategy and the overall management and performance of the Group, consistent with the primary aim of enhancing long-term shareholder value.

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

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

Governance functional areas

Risk governance

Principle 11 The Board should govern risk in a way that supports the company in setting and achieving its strategic objectives.

The Board has responsibility for the governance of risk and approves the risk policy that gives effect to its risk appetite. The Board is assisted primarily in this regard by the Audit & Risk committee which co-ordinates the risk register and the management of the risk profile and policy. The Company's risk policy re-affirms that the group is committed to effective risk management in pursuit of its strategic objectives, with the ultimate aim to grow value sustainably for all stakeholders by embedding risk management into key decision-making processes.

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

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

Technology and information governance

Principle 12

The board, supported by the Audit & Risk Committee, is responsible for information and technology (IT) governance as well as the strategic alignment of IT with the performance and sustainability objectives of the company. IT governance is based on best practice principles, providing for the alignment of the IT strategy with that of the company. An IT governance charter has been developed and is managed by the board. TeleMasters is an ISO 9001 certified company and to this effect we have the following policies and processes in place:

1. IT Network Processes
2. IT Network Cable Check WI
3. Maintaining Hardware WI
4. Antivirus Work Instruction
5. Software Licence Process
6. Network Fault Finding Process
7. Server Check WI
8. Disaster Recovery Policy
9. Backup Work Instruction

Decision-making structures are defined and a reporting framework is in place. Based on bi-annual reporting, the Audit & Risk Committee reviews and evaluates audit assessments of IT-related controls performed by the internal auditors, together with the appropriateness of actions taken by management to address key issues identified.

Compliance governance

Principle 13 The Board should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the company being ethical and a good corporate citizen.

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

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

Remuneration governance

Principle 14 The Board should ensure that the company remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.

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

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

The remuneration policy aims to enable the attraction and retention of skilled resources and results in rewards aligned with shareholder interests.

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

In line with the recommended practices in King IV, both the remuneration policy and the implementation report are tabled for separate non-binding advisory votes by the shareholders at the AGM.

Assurance

Principle 15 The Board should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the company's external reports.

The Audit & Risk Committee is responsible for the quality and integrity of Telemaster's integrated reporting. The Board, with the support of the Audit & Risk Committee, satisfies itself that the combined assurance model is effective and sufficiently robust for the Board to be able to place reliance on the combined assurance underlying the statements that the Board makes concerning the integrity of the Company's external reports.

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

Stakeholder relationships

Stakeholders

Principle 16 In the execution of its governance role and responsibilities, the Board should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the company over time.

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

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

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

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

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

TeleMasters Holdings invites all shareholders to attend its AGM.

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07 August 2018

To the Board of Directors

ENGAGEMENT LETTER FOR THE APPOINTMENT AS EXTERNAL AUDITORS

We are pleased to confirm acceptance of our engagement as auditors of Telemasters Holdings Limited. This letter sets forth our understanding of the terms and objectives of our engagement, and the nature and scope of the services we will provide. This letter does not seek to limit our professional responsibilities below the standards that are expected of our profession. Our audit will be done with the objective of expressing an opinion of the financial statements.

The objectives and scope of the audit and our responsibilities

Our audit will be conducted with the objective of our expressing an opinion on the financial statements. Accordingly, we are required by statute to carry out our audit free of any restrictions. The preparation of the financial statements is the responsibility of management. Our responsibility is to express our opinion on these financial statements.

We will conduct our audit in accordance with International Standards on Auditing (ISA). Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with ISAs.

In making our risk assessments, we consider internal control relevant to the entity's preparation 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. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial statements that we have identified during the audit.

Responsibilities of the directors

The directors are responsible for the calculation of the public interest score in accordance with Regulation 26 of the Companies Regulations, 2011 (Companies Regulations). The company's public interest score should be calculated by the directors at year-end for the current financial year. Our audit will be conducted on the basis that you acknowledge and understand your responsibility:

a) For the preparation [and fair presentation] of the financial statements in accordance with the International Financial Reporting Standards and the requirements of the Companies Act;
b) For such internal control as you determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
c) To provide us with:
    i. Access to all information of which you are aware that is relevant to the preparation [and fair presentation] of the financial statements, such as records, documentation and other matters,
    ii. Additional information that we may request from you for the purpose of the audit, and
    iii. Unrestricted access to persons within the entity from whom we determine it necessary to obtain evidence

You will also retain responsibility and accountability for:

a) the management, conduct and operation of your business and affairs;
b) any representations made by the company to third parties, including published information;
c) the maintenance of the accounting records;
d) the establishment and maintenance of an internal control structure, necessary to provide reasonable assurance that adopted policies and prescribed procedures are adhered to for the prevention of errors and irregularities, including fraud and illegal acts.
e) the preparation of the annual financial statements which fairly present the financial position, results of operations and cash flows of the Company, including adequate disclosure in accordance with International Financial Reporting Standards;
f) the selection and application of accounting policies;
g) the safeguarding of assets;
h) the use of, extent of reliance on, or implementation of advice or recommendation supplied by us or other product of the services;
i) the delivery, achievement or realisation of any benefits directly or indirectly related to the services that require implementation by you;
j) ensuring that all arrangements are made for access, security procedures, virus checks, facilities, licenses and/or consents (without any to us), where you require us to do so or the nature of the services is such that it is likely to be more efficient for us to perform work at your premises or use your computer systems or telephone networks.

As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audit.

To assist us with our audit of your financial statements, you are also responsible for making available to us, as and when required, all minutes of important meetings, and information and explanations which we consider necessary for the performance of our duties as auditors. We shall also request sight of all documents or statements that are to be issued with the financial statements.

Reporting

As stated above, our audit will be conducted with the objective of expressing an opinion on the financial statements as a whole. We shall report to management, normally in writing, any significant weaknesses in, or our observations on, the internal control structure and other areas that come to our attention during the course of our normal audit work and which, in our view, require management's attention.

Our review of internal financial control systems is only performed to the extent required to express an opinion on the company's financial statements and therefore our comments on these systems will not necessarily address all possible improvements that might be suggested as a result of a more extensive special examination.

No such report may be provided to a third party without our prior written consent. Such consent will be granted only on the basis that such reports are not prepared with the interests of anyone other than the company in mind and that we accept no duty or responsibility to any other party.

Communications with those charged with governance

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

"Audit matters of governance interest" are those matters that arise from the audit of financial statements and, in our opinion, are both important and relevant to the directors and those charged with in overseeing the financial reporting and disclosure process. Audit matters of governance interest will be communicated to the audit committee.

We will communicate only those matters of governance interest that comes to our attention as a result of the performance of the audit. We are not required to design procedures for the specific purpose of identifying matters of governance interest.

Detection of fraud, error and non-compliance with laws and regulations

The primary responsibility for safeguarding the assets of the company and the prevention and detection of fraud, error and non-compliance with laws or regulations rests with the director and management.

It is the responsibility of the director(s) of the company to ensure through oversight of management, that the company establishes and maintains internal control to provide reasonable assurance with regard to the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

It is the responsibility of management to establish a control environment and maintain policies and procedures to assist in achieving the objective of ensuring, as far as possible, the orderly and efficient conduct of the Company's business.

Our audit is planned and performed so that we have reasonable, but not absolute, assurance of detecting material misstatements in the financial statements or accounting records, including any material misstatements resulting from fraud, error or noncompliance with laws or regulations.

Our audit will not include a detailed audit of transactions, such as would be necessary to disclose errors or fraud that did not cause a material misstatement to the financial statements. Our audit is designed to provide reasonable assurance of detecting errors and irregularities that are material to the financial statements.

However, there are inherent limitations in an audit. For example:

a) We do not examine evidence supporting every transaction, and
b) although we obtain an understanding of the accounting systems and related controls to assist us in designing our audit, we study and evaluate only those controls on which we intend to rely.

Thus, irregularities, if they exist, may not be detected. Moreover, because of the characteristics of irregularities, including concealment through collusion or forgery, a properly designed and executed audit may not necessarily detect a significant irregularity.

However, we will communicate any illegal acts, material errors, identified fraud or information that indicates that a fraud may exist, identified during our audit, to the appropriate level of management as soon as practicable.

Financial Intelligence Centre Act

In terms of Section 29 of the Financial Intelligence Centre Act we are required by law to report to the Financial Intelligence Centre certain suspicious or unusual transactions of which we become aware, such as those which may involve money laundering, which have no apparent business or lawful purpose, or which may be relevant to an investigation of evasion or attempted evasion of tax. This statutory requirement, which applies to both prospective clients and existing clients, overrides the professional ethics rules of confidentiality, which we observe.

Reportable Irregularities

A reportable irregularity in terms of the Auditing Profession Act is any unlawful act or omission committed by any person responsible for the management of an entity, which:

a) has caused or is likely to cause material financial loss to the entity or to any partner, member, shareholder, creditor or investor of the entity in respect of his, her or its dealings with that entity; or
b) is fraudulent or amounts to theft; or
c) represents a material breach of any fiduciary duty owed by such person to the entity or any partner, member, shareholder, creditor or investor of the entity under any law applying to the entity or the conduct or management thereof.

In relation to companies the management board usually comprises:

a) The board of directors of the company (including 'shadow' directors) and holding companies in group situations; and
b) Any person who in the affairs of the Company exercises executive control which reflects the general policy of the company for the time being or which is related to the general administration of the Company.
c) In considering whether a person is responsible for managing an entity an auditor will have due regard both to the published details of the management structure thereof and to the de facto exercise of the requisite characteristics of control and management.

We are required by the Auditing Profession Act, 26 of 2005 (the "APA") to send a written report to the Independent Regulatory Board of Auditors ("IRBA") if we are satisfied or have reason to believe that a reportable irregularity (as defined in the APA) has taken place or is taking place.
We undertake to notify the director of such action within three days of sending a report to the IRBA. We will subsequently take all reasonable steps to discuss the report with the director who will be afforded the opportunity to make representations in respect thereof.

We are also required to send a second report to the IRBA, within 30 days from the date on which the initial report was sent, which should contain a statement that we are of the opinion that:

a) no reportable irregularity has taken place; or
b) the suspected reportable irregularity is no longer taking place and that adequate steps have been taken for the prevention or recovery of any loss as result thereof, if relevant; or
c) the reportable irregularity is continuing

If the IRBA receives a report that a reportable irregularity is continuing, they must notify any appropriate regulator of the details of the reportable irregularity to which the report relates and provide it with a copy of the report.

Should a reportable irregularity have taken place or be taking place our audit report on the financial statements is required to be appropriately qualified.

The firm requires its staff to report any suspected reportable irregularity to the engagement partner immediately, without delay. Should an employee fail to adhere to this requirement they will face a disciplinary hearing and possible termination of their training contract and/or dismissal.

Because of the test nature and other inherent limitations of an audit, together with the inherent limitations of any accounting and internal control system, there is an unavoidable risk that even some material misstatements may remain undiscovered. In addition to our report on the financial statements, we expect to provide you with a separate letter concerning any material weaknesses, in the accounting and internal control system, which come to our attention.

Other reports required by the Companies Act

The Companies Act requires the annual financial statements to include a directors' report. A complete set of financial statements is identified by the applicable financial reporting framework and does not include the directors' report.

The information contained in the directors' report is generally not in the form of an assertion and the subject matter is generally not identifiable and open to consistent evaluation or measurement against identified criteria. Consequently, our conclusion expressed on the financial statements does not extend to the information contained in the directors' report.

However, we have a responsibility to read the other information contained in the directors' report to identify material inconsistencies, if any, with the audited financial statements.

As part of our audit of the financial statements, we will read the directors' report and in doing so, consider whether the directors' report is materially inconsistent with the audited financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. We will include a separate paragraph in our audit report in this regard.

Professional obligation to respond to non-compliance with laws and regulations in terms of the SAICA Code of Professional Conduct (the Code)

The partners and employees of our firm have a professional obligation to act in the public interest, and to act in order to: (i) enable Telemasters Holdings Limited to rectify, remediate or mitigate the consequences of any identified or suspected non-compliance with laws or regulations as described in the Code; or (ii) deter the commission of the noncompliance or suspected non-compliance with laws or regulations where it has not yet occurred.

"Non-compliance with laws or regulations (non-compliance) comprises acts of omission or commission, intentional or unintentional, committed by a client, or by those charged with governance, by management or by other individuals working for or under the direction of a client which are contrary to the prevailing laws or regulations."

Where we encounter non-compliance or suspected non-compliance we will seek to obtain an understanding of the matter. Where appropriate, we will discuss the matter with the appropriate level of management at the company, or those charged with governance in order that such people can take appropriate action to rectify, remediate or mitigate the consequences of the non-compliance, deter the commission of non-compliance where it has not yet occurred or disclose the matter to an appropriate authority where required by law or regulation or where considered necessary in the public interest, having regard to the appropriateness of the response of management and, where applicable, those charged with governance and other relevant factors in accordance with the Code.

We, in encountering non-compliance or suspected non-compliance, are also obliged to comply with applicable legislation or professional standards, which may require us to disclose the matter to an appropriate authority, including the reporting of reportable irregularities as referred to in the preceding section of this engagement letter.

We also have a professional responsibility to consider whether the response of the company to the instance of non-compliance or suspected non-compliance is adequate, and may determine that further action is necessary. Such further action may include, among other actions, the disclosure of the matter to an appropriate authority. We will disclose the matter to an appropriate authority only where, in the professional judgement of the auditor, the extent of the actual or potential harm that is or may be caused to the company, investors, creditors or employees or the general public is sufficient to justify the disclosure.

In exceptional circumstances, we may be required to immediately disclose the matter to an appropriate authority where we have become aware of actual or intended conduct that we have reason to believe would constitute an imminent breach of law or regulation that would cause substantial harm to the company, investors, creditors, employees or the general public. In such circumstances we will discuss the matter with the management or those charged with governance of the company where it is appropriate to do so.

Documents issued with the financial statements

To assist us with our audit of your financial statements, we shall request sight of all documents or statements, management's reports, operating and financial review and director' report which are to be issued with the financial statements.

International auditing standards require that we read any annual report and other document that contains our audit opinion. The purpose of this procedure is to consider whether other information in the annual report, including the manner of its presentation, is materially inconsistent with information appearing in the financial statements. We assume no obligation to perform procedures to verify such other information as part of our audit.

Once we have issued our report we have no further direct responsibility in relation to the financial statements for that financial year. However, we expect that you will inform us of any material event occurring between the date of our report and the date of issue of the financial statements which may affect the financial statements.

Subsidiaries

In carrying out our duties as principal auditors, we shall make such enquiries of any other auditors of the subsidiaries, and review their work to such an extent as we consider necessary to form our opinion on the group financial statements. However, the responsibility to your company, as shareholder, for the audits of such subsidiaries remains with the auditors of the subsidiaries concerned.

Future use of the audit opinion

You agree that our audit report, or reference to us, will not be included in any such offering document without our prior written permission or consent. Any agreement to perform work in connection with an offering, including an agreement to provide such permission or consent, will be a separate engagement and subject to a separate engagement contract.

Staff

Our staff members undergo periodic training and this, together with the taking of annual leave, may lead to staff turnover and lack of continuity. We will use our best endeavours to avoid any disruption to an engagement’s progress. You agree not to make any offer of employment or to otherwise interfere with or entice away from the employment of any persons employed by NEXIA SAB&T.

Information

To enable us to perform the services, you will use your best endeavours to procure and to supply promptly all information and assistance, and all access to documentation in your possession, custody, or under your control, and to personnel under your control, where required by us. Where such information and/or documentation is not in your possession or custody, or under your control, you will use your best endeavours to procure the supply of the information, assistance and/or access to all the documentation

We may rely on any instructions or requests made or notices given or information supplied, whether orally or in writing, by any person whom we know to be or reasonably believe to be authorised by you to communicate with us for such purposes ("an authorised person").

We may receive information from you or from other sources in the course of delivering the services and:

a) We will consider the consistency and quality of information received by us;
b) We will not seek to establish the reliability of information received from you or any other information source.
c) Accordingly, we assume no responsibility and make no representations with respect to the accuracy, reliability or completeness of any information provided to us;
d) We will not be liable to you for any loss or damage suffered by you arising from fraud, misrepresentation, withholding of information material to the services, or other default relating to such material information, whether on your part or that of the other information sources.

You undertake to supply information in response to our enquiries to enable us to comply with our statutory obligations relating to the Financial Intelligence Centre Act, No.38 of 2001 and the Prevention of Organised Crime Act, No.121 of 1998.

Representations by management

As part of our normal audit procedures, we will request you to provide written confirmation of facts or judgements which are not themselves recorded in the accounting records and any other oral representations that we have received from management during the course of our audit that are considered to have a material effect on the financial statements.

This letter will also confirm that all important and relevant information has been brought to our attention. In addition, we shall include in or attach to the representation letter a summary of unadjusted audit differences and request that management acknowledges that it has considered the financial statement misstatements brought to its attention by us and has concluded that any unrecorded misstatements are not material to the financial statements taken as a whole.

To provide an opportunity for you and the audit committee to discuss the matters raised in our various reports, we expect to attend the audit committee meetings prior to the commencement of our audit and before the announcement of interim and annual results. We are also entitled to attend all general meetings of the company and to receive notice of all such meetings.

Timetable

We will agree a timetable with you which will enable you to meet your obligations to issue annual financial statements, and meet any other deadlines notified to us. As you will appreciate, however, any such timetable will be based on the assumption that we will receive the appropriate co-operation and assistance.

Fees

Our fees are based on the time required by the resources assigned to the engagement. The fees billed are based on the degree of responsibility involved, as well as the level of experience, knowledge and skill required. Our fees, together with disbursements, will be billed as work progresses, and settlement is due on presentation

of our invoices.
The terms and conditions of our fees are set out in Annexure A.

Quality of service

We will seek to ensure that our service is satisfactory at all times and delivered with reasonable skill and care. If at any time you would like to discuss with us how the service can be improved, you are invited to contact the partner identified in the engagement letter.

Complaints and Allegations

If you have any complaints and allegations that you would like to discuss with a responsible person other than the engagement partner, please contact the following person:

Sophy Kleovoulou (Hub Leader)
Tel: (012) 682 8800
Email: sophy@nexia-sabt.co.za

Agreement of terms

This engagement letter should be read in conjunction with our standard terms and conditions, which are attached to this letter and marked Appendix A, which will be applicable to all work we undertake prior to and pursuant to this engagement letter.

Once it has been agreed, this letter will remain effective until it is replaced. We shall be grateful if you will confirm your agreement to the terms of this letter by signing and returning the enclosed copy, or let us know if the terms of our engagement are not in accordance with your understanding.

We look forward to full cooperation with your staff during our audit.

We are available to discuss this letter with you at any time. Once it has been agreed to, this letter will remain effective for future years unless it is terminated, amended or superseded.

The engagement director responsible and accountable for the audit engagement is:
Aneel Darmalingam.

Please sign and return the attached copy of this letter, including our standard terms and conditions, to indicate that it is in accordance with your understanding of, and agreement with, the arrangements for our audit of the financial statements, including our respective responsibilities.

Yours faithfully

Signed by Engagement Director:

Name	______________________________
Signature	______________________________
Date	______________________________

Signed by Client:

I, the under signed, herewith accepts on behalf of the company, the above terms of the engagement.

Name	________________________
Title	________________________
Signature	________________________
Date	________________________

Appendix A – Standard Terms and Conditions

All audit engagement services provided by Nexia SAB&T in accordance with the written agreement will be subject to the following standard terms and conditions in addition to what is stated specifically in the written agreement.

1. Definitions

Unless the context clearly indicates otherwise:

- reference to any gender shall include the other genders
- the singular shall include the plural

In these standard terms and conditions, the words and phrases set out below have the following meanings:

Client means the entity/entities, or the persons, named in the written agreement to which or whom services are to be provided by Nexia SAB&T.

Nexia SAB&T means an incorporated company registered in accordance with the laws of the Republic of South Africa; any division of Nexia SAB&T owned or managed by Nexia SAB&T the partners, directors, employees, agents and contractors of Nexia SAB&T. The contracting element of Nexia SAB&T will usually be identified by our letterhead or set out in the written agreement.

Member firm means a firm or entity that belongs to a network.

Network means a large structure:

a) That is aimed at co-operation; and
b) That is clearly aimed at profit or cost sharing or shares common ownership, control or management, common quality control policies and procedures, common business strategy, the use of a common brand-name, or a significant part of professional resources.

Parties means the Client and the Firm, and "a Party" shall as the context requires, be either of them.

Services mean the audit engagement services to be rendered by Nexia SAB&T as set out in the written agreement.

Written Agreement means the letter of engagement including terms and conditions set out in this document together with any annexures and schedules hereto entered into by the Parties for the performance of the Services.

Words referring to the singular shall include the plural, and vice versa, words referring to the masculine gender shall include the feminine and neuter genders, and vice versa, and words referring to natural persons shall include legal persons, and vice versa.

2. Headings have no effect

The headings in the written agreement and in these terms and conditions shall not in any way affect or govern the interpretation or construction of the applicable terms and conditions.

3. General principles

In providing any services, Nexia SAB&T will:

- not act in the capacity of management,
- not act as a formal advocate of or representative for the client,
- not decide on what recommendations/alternatives to accept or implement,

whereas the client will be responsible for:

- making all management decisions and performing all management functions including deciding on what recommendations/alternatives to accept and implement.
- designating a competent management member to oversee the services.
- evaluating the adequacy and results of the services.
- establishing and maintaining internal controls and for determining the adequacy of accounting systems.
- monitoring ongoing activities, and
- the maintenance of the accounting records, preparation of the financial statements /annual financial statements and safeguarding the assets of the entity (or, as may be applicable to a subject matter other than financial statements, the maintenance of supporting records, the preparation of the subject matter information and safeguarding of resources of the entity)..

This Written Agreement shall be governed exclusively, in all respects by, and shall be interpreted in accordance with the laws of South Africa.

The Parties may approach a court with competent jurisdiction in South Africa to settle any dispute that may arise between the Parties pertaining to this Written Agreement and/or the provision of the Services.

This Written Agreement constitutes the entire agreement between Nexia SAB&T and the Client and supersede any previous oral and/or written representations and/or agreement, if any, between the Parties. No amendments or variations of this Written Agreement shall be of any force or effect, unless reduced to writing and signed by both Nexia SAB&T and the Client.

The Client hereby consents to Nexia SAB&T subcontracting the Services to the extent that such subcontract will be subject to the same terms and conditions as contained in this Written Agreement. It is specifically recorded that the Firm shall remain liable for the obligations of its subcontractors.

Where it is intended that the services should also be provided to group companies and divisions of client, any approvals given will be deemed to also apply to services to be provided by a member firm which is part of Nexia SAB&T in terms of a separate engagement letter of agreement that may be concluded with the group company or division concerned.

Nexia SAB&T and the client are independent contractors. Neither party shall act and/or purport to represent itself as an agent of the other Party, or in any manner assume and/or purport to create any obligations and/or liabilities in the name of the other Party. Neither Party shall be liable for the debts of the other Party, however incurred.

4. Validity

Where there is a conflict between the terms in any of the components of the Written Agreement, these standard terms and conditions will apply.

5. Provision of services

Nexia SAB&T will endeavour to deliver the services with the requisite level of skill, integrity and professional competence at all times.

Where the delivery of the Services requires information from or the co-operation of officials and employees of the Client, the Client undertakes to use its best efforts to ensure that its directors, management, officials and employees are available when required and that they provide the necessary information and co-operation on a timely basis. Reasonable facilities and access to data and information will be provided by the Client. Where such data pertains to third parties such as customers and/or suppliers of the Client, the Client warrants that it has obtained the necessary consent from the third party in particular relating to Personal Information as defined in the Protection of Personal Information Act 4 of 2014 (as amended) and indemnifies Nexia SAB&T against any claims that may be instituted as a result of the failure to procure such consent.

Where Nexia SAB&T personnel to deliver the services are named in the written agreement, Nexia SAB&T will take reasonable steps to ensure that such personnel are used. Nevertheless, Nexia SAB&T personnel may be absent for short periods of time due to other commitments, annual leave or training. Nexia SAB&T will endeavour to avoid any disruption to the delivery of the services as a result thereof.

6. Distribution of any service or product

Any product of the services released to you in any form or medium will be supplied by us on the basis that it is for your benefit and information only and that it may not be copied, referred to or disclosed, in whole or in part (save for your own internal purposes), without our prior written consent. The services will be delivered on the basis that you may not quote our name or reproduce our logo in any form or medium without our prior written consent. You may disclose in whole any product of the services to your bankers and legal and other professional advisers for the purposes of your seeking advice in relation to the services, provided that when doing so you inform them that:

a) Disclosure by them (save for their own internal purposes) is not permitted without our prior written consent; and
b) We accept no responsibility or liability whatsoever and neither do we owe any duty of care to them in connection with the services.

7. Intellectual property

The working papers and files for this engagement created by us during the course of the audit, including electronic documents and files, are the sole property of Nexia SAB&T.

Nexia SAB&T shall retain all intellectual property rights in all materials and working papers, including methodologies, know-how, trade secrets, software and tools used, provided or developed by Nexia SAB&T in providing and delivering the services. For the purposes of delivering services to you or other clients, we will be entitled to use or develop knowledge, experience and skills of general application gained through performing the services. You agree to keep confidential any methodologies and technology used by us to carry out our services.

We have the right to use your name as a reference in proposals or other similar submissions to other prospective clients, unless you specifically withhold permission for such disclosure. If we wish to use details of the work done for you for references purposes, we will obtain your permission in advance.

Any intellectual property and proprietary rights in material provided by client for performing the services shall remain the property of client.

Upon expiry or termination of this Written Agreement for any reason whatsoever, each Party shall immediately cease to use the intellectual property of the other Party.

8. Non-exclusivity

The client acknowledges that Nexia SAB&T provides a variety of other services to a large and diverse range of clients. The provision of the services to the client will not prevent Nexia SAB&T from providing the same or similar services to other parties, some of whom could be competitors of the client or who may be in conflict with the client.

The client also acknowledges that Nexia SAB&T may already have provided the same or similar services to other parties.

Where Nexia SAB&T is aware of the same or similar services being provided to other parties, safeguards will be implemented to protect the interests of the client. These safeguards will include the use of different personnel and other barriers to ensure the confidentiality of information.

Whilst Nexia SAB&T will be bound by the confidentiality clauses mentioned below, Nexia SAB&T shall have the right to use the name of the client and a description of the services as a reference in seeking to provide services to other parties, unless the client expressly forbids this.

9. Confidentiality

Nexia SAB&T will keep confidential all information obtained from the client except such information as is in the public domain, or where the client agrees to Nexia SAB&T making this information available to other parties.

Notwithstanding the above clause, client acknowledges that Nexia SAB&T may be required to disclose confidential information to its legal advisers, insurers, the Independent Regulatory Board for Auditors, or to any other party as required by law or in terms of a judicial order. Disclosure in any of these instances will be permissible and will not be a breach of confidentiality, provided that in relation to disclosure to legal advisers.and insurers these parties undertake confidentiality substantially similar to this paragraph 9.

The client agrees to keep confidential any methodologies, technology, know how, trade secrets, software and tools used, provided or developed by Nexia SAB&T in providing and delivering the services. Similarly, any information provided or developed by Nexia SAB&T will be kept confidential, unless Nexia SAB&T expressly agrees in writing to the client making this available to other parties. This confidentiality requirement will not apply to any information that client is required by law to disclose to another party.

Where the Client does not accept a proposal accompanied by a Written Agreement any documentation or property specifically identified by Nexia SAB&T will be returned to Nexia SAB&T on request. The Client acknowledges that Nexia SAB&T is required in terms of professional standards to retain documentation to support the work done and any deliverables provided. Where this documentation contains confidential information of the Client, the Client gives consent to Nexia SAB&T to retain such documentation for the purposes as stipulated herein.

10. Professional fees

We will render invoices in respect of the services comprising fees, disbursements and VAT thereon.

Our fees are based on the time spent on your affairs by our partners and staff, and on the levels of skill and responsibility involved, the nature and complexity of the services, and the resources required to complete the engagement. These fees may differ from estimates that may have been supplied, which estimates will be provisional only. Stringent reporting requirements or deadlines imposed by you might require work to be carried out at a higher level than usual or outside normal working hours. This may result in increased costs. Additional fees may also result from material changes in the services or from difficulties in obtaining information, which could not reasonable have been foreseen.

Fees are calculated on an hourly basis at charge out rates applicable to the person undertaking the work. Our current maximum and minimum rates for normal work within normal working hours applicable from time to time may be obtained on request.

Disbursements in respect of travelling expenses and other expenses will be recoverable at our predetermined rates.

In return for the delivery of the services by us, you will be required to pay our fees, without any right of set-off, on presentation of our invoice.

Notwithstanding anything to the contrary contained herein, should our accrued fees reach a level which we consider to be material such accrued fees will become due and payable immediately upon presentation of our fee note, failing which the rendering of all further professional services will be suspended pending receipt of payment.

In the event of your appointing an alternative firm of accountants in our stead, or otherwise terminating our mandate, we will be entitled to raise a fee upon receipt of such notification for an amount adequate to cover all work done to date and not yet billed, at our standard charge out rates, including disbursements incurred. In such event you undertake to settle our account in full prior to our handing over books and records to you or to our successor.

Our fees will be inclusive of VAT which will rank for deduction as input tax by registered vendors.

Subject to the aforegoing, our fees are payable on presentation. We will be entitled to charge interest on all amounts outstanding, for whatsoever reason, for more than 30 days from the date of presentation of our fee note at the maximum rate allowed by law. Such interest will be calculated on a monthly basis. All payments will be allocated first as to interest, then as to outlays, then as to the longest outstanding fee.

Without prejudice to any other rights that we may have in law, we reserve the right to suspend or terminate the performance of the services or any part thereof to you immediately, at any time, with or without notice, should payment of any of our fees be overdue.

The fees will be subject to review by us each year and will vary with a number of factors including the extent of the assistance we receive from members of staff in preparing routine schedules and analyses.

It is our usual practice to provide estimates of our fees in advance of the work commencing and we shall require payments on account as our work progresses.

11. <u>Electronic communications</u>

We may choose to communicate with you by electronic mail where an authorised person wishes us to do so, on the basis that in consenting to this method of communication, you accept the inherent risks of such communications (including the security risks of interception of or unauthorised access to such communications, the risks of corruption of such communications, the risk of errors or loss of information and the risks of viruses or other harmful devices) and that you will perform virus checks. We will use commercially reasonable procedures to check for the most commonly known viruses before sending information electronically.

We recognise that systems and procedures cannot be a guarantee that transmissions will be unaffected by such hazard.

We confirm that we each accept the risks of and authorise electronic communications between us. We each agree to use commercially reasonable procedures to check for the then most commonly known viruses before sending information electronically. We shall each be responsible for protecting our own systems and interests in relation to electronic communications and the company and Nexia SAB&T T (in each case including our respective directors, employees or agents) shall have no liability to each other on any basis, whether in contract, delict (including negligence) or otherwise, in respect of any error, damage, loss or omission arising from or in connection with the electronic communication of information between us and our reliance on such information.

The exclusion of liability in the previous clause shall not apply to the extent that any liability arises out of acts, omissions or misrepresentations which are in any case criminal, dishonest or fraudulent on the part of our respective directors, employees, or agents.

If our communication relates to a matter of significance on which you wish to rely and you are concerned about the possible effects of electronic transmission, you should request a hard copy of such transmission from us. If you wish us to password protect all or certain documents transmitted, you should request us to do so.

12. Use of Nexia SAB&T's software

We may develop software, including spreadsheets, documents, databases and other electronic tools to assist us with our assignment. In some cases these aids may be provided to you upon request. As these tools were developed specifically for our purposes and without consideration of any purpose for which you might use them, they are made available on an "as is" basis for your use only and should not be distributed to or shared with any third party. Further, we make no representations or warranties as to the sufficiency or appropriateness of the software tools for any purpose for which you may use them. Any software tools developed specifically for you will be covered under a separate engagement letter.

13. Circumstances beyond our or your control

Neither of us will be in breach of our contractual obligations, nor will either of us incur any liability to the other, if we or you are unable to comply with the services contract as a result of any cause beyond our or your reasonable control. In the event of any such occurrence affecting one of us, that one shall be obliged as soon as reasonably practicable to notify the other, who will have the option of suspending or terminating the operation of the services contract on notice, which notice will take effect immediately on delivery thereof.

14. Waiver, assignment and sub-contractors

Failure by any one of us to exercise or enforce any rights available to us shall not amount to a waiver of any rights available to either of us. Neither of us will have the right to assign the benefit or burden of the services contract without the written consent of the other. We will have the right to appoint sub-contractors to assist us in delivering the services.

15. Exclusions and limitations on our liability

Save for any exclusions provided for in Section 46 of the Auditing Profession Act, 2005, the maximum liability of Nexia SAB&T or any individual partner, member, or employee, as the case may be, of the Nexia SAB&T contracting party in respect of direct economic loss or damage suffered by you or by other beneficiaries arising out of or in connection with the services shall be limited to two times the fees charged and paid for these services. The maximum liability will be an aggregate liability for all claims arising, whether by contract, delict, negligence, or otherwise.

In the particular circumstances of the services set out in the engagement letter, the liability to you and to other beneficiaries of each and all Nexia SAB&T persons in contract or delict or under statute or otherwise, for any indirect or consequential loss or damage (including loss of profits) suffered by you (or by any such other party) arising from or in connection with the services, however the indirect or consequential loss or damage is caused, excluding our willful misconduct, shall be excluded to the extent that such limitation is permitted by law.

Our liability to you will in no circumstances exceed the lower of the amount determined by the application of the monetary limit based upon fees charged to, and recovered from, you and the amount determined by the apportionment of responsibility, as the case may be.

You and other beneficiaries may not bring any claim personally against any individual partner, member, employee or agent, as the case may be, of the Nexia SAB&T contracting party or of any body or entity controlled by us or owned by us or associated with us in respect of loss or damage suffered by you or by other beneficiaries arising out of or in connection with the services. This restriction shall not operate to limit or exclude the liability of the Nexia SAB&T contracting party for the acts or omissions of its partners, directors, employees and agents. Any claim by you or other beneficiaries must be made (for these purposes a claim shall be made when court or other dispute-resolution proceedings are commenced) within two years of the date on which you or they became aware, or ought reasonably to have become aware, of circumstances giving rise to a claim or potential claim against us.

16. Third parties

You will indemnify the Nexia SAB&T contracting party and any Nexia SAB&T persons and hold them harmless against any loss, damage, expense or liability incurred by the parties and/or persons as a result of, arising from, or in connection with a combination of the following two circumstances:

a) Any breach by you of your obligations under the services contract.
b) Any claim made by a third party or any other beneficiaries which results from or arises from or is connected with any such breach.

17. Termination

The written agreement may be terminated forthwith by the client or Nexia SAB&T in the event of either party going into liquidationor having commenced business rescue proceedings or similar judicial management proceedings instituted over all or part of its activities.

In the event of either the client or Nexia SAB&T being in breach of any of the terms of the written agreement, the other party may, by written notice require the party which is in breach to remedy such breach. If this has not been remedied with them 14 days of receipt of such notice, or if the breach is incapable of being remedied, the other party may in writing terminate the written agreement without prejudice to its right to claim damages.

Nexia SAB&T shall be entitled to terminate the written agreement in the event of changes to laws, regulations, or the shareholding/group structure that would render such services illegal or in conflict with independence or professional rules.

18. Legal addresses

The client and Nexia SAB&T each choose the address set out opposite its name in the address clause of the written agreement as its legal address.

Any notice to be given in terms of the written agreement or these standard terms and conditions must be in writing and delivered to the legal address of the party concerned.

Written notice given in a correctly addressed envelope, delivered by hand to a responsible person during ordinary business hours shall be deemed to have been received on the day of delivery.

Either Party may notify the other Party in writing of any changes to its chosen address.

19. Severability of clauses

If any provision or clause of the written agreement or of the standard terms and conditions becomes invalid or unenforceable, such provision or clause shall be divisible and be regarded as pro non-scripto and the remainder of the written agreement shall remain in force and be binding.

The failure of either Party to insist upon the strict performance of any provision of this Written Agreement or to exercise any right, power or remedy consequent upon a breach hereof shall not constitute a waiver by such Party to require strict and punctual compliance with each and every provision of this Written Agreement.

DIRECTORS' AND EXECUTIVE MANAGERS' PROFILES

Mr Jaco-Muller Voigt
Chief Executive Officer (44)

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

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

In 2010 Jaco started Contineo Virtual Communications, a Wholesale Cloud Communications provider. What started out as a Virtual PABX offering, subsequently evolved into a complete Unified Communications platform enabling business to quickly manage and share information of all types between mobile employees, virtual teams and dispersed customers.

Jaco was appointed CEO of TeleMasters Holdings on 1 January 2018
Jaco has held the following directorships over the past year, this list excludes directorships of companies in deregistration:

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

Mr Brandon Rodney Topham
Chief Financial Officer (47)

Brandon is a qualified Chartered Accountant and an admitted attorney of the High Court of South Africa. He has been with the company since its listing and has a wide range of business and professional experience in South Africa. He is admitted as a non-practicing solicitor in England & Wales, is an associate member of the Chartered Institute of Management accountants and a member of the Certified Fraud Examiners based in the U.S.A. In addition he holds a post graduate certificate in advanced taxation. He has been active as a forensic and tax accountant and has served as a city councilor and Member of Parliament. He has served in a non-executive capacity on numerous boards and consulted on corporate governance. He holds the title of Chartered Director of the Institute of Directors in South Africa.

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

Company	Nature of business
Compadre Caliente (Pty) Ltd	Food Distribution
Ecsponent Holdings Ltd	Investment holding
Grand Lodge of South African Freemasons	Non-profit
Professional Provident Society Holdings Trust	Holdings in Insurance & Investment sector
Revenue Forensics (Pty) Ltd	Professional services
Seesa (Pty) Ltd	Labour law & BEE consulting
TAG Employee Fund administrators (Pty) Ltd	Employee fund administration
TAG Consulting (Pty) Ltd	Company secretarial & Consulting services
TeleMasters Holdings Ltd	Telecommunications

Mr Mario Brönn Pretorius
Non-executive (61)

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 year, this list excludes directorships of companies in deregistration:

Company	Nature of business
Catwalk Investments 599 (Pty) Ltd	Investment company
Duelco Investments 162 (Pty) Ltd	Investment company
Expectra 51 (Pty) Ltd	Telecommunications
Expectra Connectivity (Pty) Ltd	Investment company
Gondwana Capital (Pty) Ltd	Investment company
Initiative SA Investments 114 (Pty) Ltd	Investment company
Lifehouse Investments 58 (Pty) Ltd	Commodity trading
Nimbus Holdings	Dormant company
Sakeliga (Pty) Ltd	Investment company
Simplicate Solutions (Pty) Ltd	Investment company
Skycall Networks (Pty) Ltd	Telecommunications
Snowy Owl Properties 90 (Pty) Ltd	Property development
Spice Telecom (Pty) Ltd	Telecommunications
TeleMasters (Pty) Ltd	Telecommunications
TeleMasters Direct (Pty) Ltd	Dormant company
TeleMasters Holdings Ltd	Telecommunications
Telenext (Pty) Ltd	Dormant company
Vazmasters (Pty) Ltd	Administrative services
Zero plus trading 194 (Pty) Ltd	Property development
Valkyrie Capital (Pty) Ltd	Investment company
Gondwana Diamond Mining Namibia (Pty) Ltd	Diamond mining company

Mr Marthinus Gerhardus Erasmus
Independent *Non-Executive (51)*

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

Marthinus has extensive experience, across various continents, in finance, mergers and acquisitions, black economic empowerment transactions, strategy development and execution, corporate transactions and business turnarounds. Marthinus is currently the CEO of the Sperosens group of companies and serves as an extended team member and director at Arbor Capital Holdings (Pty) Ltd.

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

Company	**Nature of business**
Arbor Capital Holdings (Pty) Ltd	Investment Holding Company
Boerseun Boerdery (Pty) Ltd	Farming
Brightwork Capital (Pty) Ltd	Consulting and Advisory, but dormant
Crysalis Energy Solutions (Pty) Ltd	Engineering, but dormant
K2014001245 (Pty) Ltd	Investment Holdings
FlowCentric Industrial Innovations (Pty) Ltd	Engineering, but dormant
FlowCentric Technnologies (Pty) Ltd	ICT Software
Fluolor (Pty) Ltd	Mining supplies, services & distribution
Spero Fire Soultions (Pty) Ltd	Engineering, Fire Protection and Telemetry
Spero Group (Pty) Ltd	Engineering, Fire Protection and Telemetry
Spero Technologie (Pty) Ltd	Engineering, Fire Protection and Telemetry
Spero Sensors en Instrumente (Pty) Ltd	Engineering, Fire Protection and Telemetry
Sperolon (Pty) Ltd	Engineering, Fire Protection and Telemetry
TeleMasters Holdings Ltd	Telecommunications

Mr Willem Frederik Steinberg (Fred)
Independent *Non-Executive (54)*

Fred has been involved in the Information and Telecommunication Technology Industry for 33 years, initially as a software engineer and project manager and subsequently as the founder of a number of successful IT firms, including: Communication Genetics, a South African-based leading provider of Customer Communication Solutions; and Isonet SA, an end-to-end cloud based Customer Communication Management solution.

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

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

Mrs Mariette Tappan
Independent Non-Executive (55)

Mariette, (B Comm, CFP®) is an Executive Financial Advisor at Liberty Life and serves on the Financial Planning Institutes Client Engagement Committee and is a member of the Woman in Finance Organization and has been a judge on the panel for the South African Council for Businesswomen's (SACBW) Businesswoman of the year award. She is currently completing an advanced CFP qualification as a Financial Transisionist Planner through the Sudden Money Foundation in the USA.

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

Company	Nature of business
TeleMasters Holdings Ltd	Telecommunications

TeleMasters Holdings Limited
(Registration number 2006/015734/06)
Consolidated Annual Financial Statements
for the year ended 30 June 2018

These consolidated annual financial statements were prepared by:
Brandon Topham

CA(S.A.) ACMA CFE CD(S.A.)
These consolidated annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.
(Number: 71 of 2008)

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	TeleMasters delivers full telecommunications, internet connectivity and cloud solutions to business across South Africa.
Directors	Erasmus, Marthinus Gerhardus Pretorius, Mario Brönn Steinberg, Willem Frederik Tappan, Mariette Topham, Brandon Rodney Voigt, Jaco Muller
Registered office	90 Regency Drive Route 21 Office Park Irene 0157
Business address	90 Regency Drive Route 21 Office Park Irene 0157
Postal address	P. O. Box 68255 Highveld Park Irene 0169
Bankers	First National Bank
Auditors	Nexia SAB&T
Company registration number	2006/015734/06
Level of assurance	These consolidated annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.
Secretary	Sascha Ramirez-Victor
Tax reference number	9683978143
Preparer	The consolidated annual financial statements were internally compiled by: Brandon Topham CA (S.A.) ACMA CFE CD(S.A.)

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The reports and statements set out below comprise the consolidated annual financial statements presented to the shareholders:

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.

Sascha Ramirez-Victor

Audit and Risk Committee Report

This report is provided by the audit and risk committee appointed in respect of the 2018 financial year of TeleMasters Holdings Limited and its subsidiaries and is presented as required by King IV and Section 94 of the Companies Act.

The audit and risk committee consists of three independent non-executive directors. The Chief Financial Officer (CFO), all other directors of the company, the External Audit Partner and a representative of the Company's designated advisor are invited to attend all meetings but have no votes. The majority of the members of the committee are financially literate.

The audit and risk committee has explicit authority to investigate any matter under its terms of reference and has access to all the resources and information it requires in order to act on this authority. The role of the audit and risk committee is to assist the Board by performing an objective and independent review of the functioning of the organisation's finance and accounting control mechanisms. It exercises its functions through close liaison and communication with corporate management and the external auditors. The committee has an independent role with accountability to both the board and shareholders. The committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior managment.

The audit and risk committee is guided by its charter, approved by the board, dealing with membership, structure and levels of authority. The roles and responsibilities of the audit and risk committee have been fully addressed in paragraph 4.1 of the Corporate Governance Report included in the Integrated Report of the group. The board has approved the committee terms of reference and is satsisfied that the members thereof have the required knowledge and experience as set out in Section 94(5) of the Companies Act 71 of 2008 and Regulation 42 of the Companies Regulations, 2011.

The audit and risk committee addressed its responsibilities properly in terms of its charter during the previous financial year. No changes to the charter were adopted during the financial year. The audit and risk committee has complied with its legal and regulatory responsibilities.

1. Members of the Audit and Risk Committee

The attendance of committee members at audit and risk committee meetings during the period under review, considering their dates of appointment and/or resignation, was as follows:

Name	# of meetings	# of meetings attended
MG Erasmus (Chairman)	5	5
DS van der Merwe	4	4
JM Voigt – By invitation	5	5
BR Topham (Chief Financial Officer) – By invitation	5	5
MB Pretorius – By invitation	5	5
M Tappan	3	3
WF Steinberg	1	1

Biographies of the committee members are set out in the Intergrated Report of the Group under the Director profiles section.

Audit and Risk Committee Report

2. External auditor

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

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

The committee examined and reviewed:
- The results of the most recent Independent Regulatory Board of Auditors (IRBA), International Standard on Quality Control (ISQC) 1, engagement inspection of Nexia SAB&T and all audit engagement partners involved with the Telemaster's group audit, including the designated individual auditor;
- A summary and results of any legal and disciplinary proceedings that may have been concluded within the past seven years, instituted in terms of any legislation or by any professional body of which the audit firm and/ordesignated auditor are a member or regulator to whom they are accountable, including where the matter is settled by consent order or payment of a fine.
- As part of the Auditor Suitability Review, the committee met with the individual auditor responsible for the Telemaster audit to deal with the matters arising from the review.

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

3. Auditor independence and fees

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

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

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

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

Audit and Risk Committee Report

4. Annual Financial Statements

The committee reviewed the external audit scope, plans and findings, as well as management reports in order to determine the effectiveness of management systems and internal controls during the year. The committee continued to monitor key risks identified and their mitigation and how subsidiaries are performing to achieve the group's strategy.

The committee reviewed the following:
- the quality and integrity of the integrated report;
- the financial statements and announcements in respect of the results;
- the appointment, remuneration, performance and independence of the external audit and the audit process, including the approval of nonaudit services by the external auditor;
- the effectiveness of risk management and controls;
- internal financial controls and systems;
- sustainability issues;
- IT governance; and
- compliance governance.

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

The Committee has reviewed and is satisfied the accounting policies and financial statements of the group are appropriate and comply with IFRS, the JSE Listings Requirements and the requirements of the Companies Act.

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

5. Committee statement

After review and consideration of feedback received from management and the external auditors, the committee has resolved that the financial records may be relied upon as the basis for preparation of the audited consolidated annual financial statements.

The committee has considered and discussed the audited annual financial statements and associated reports with both management and the external auditors. During this process, the committee inter alia:
- evaluated significant judgements and reporting decisions;
- determined that the going-concern basis of reporting is appropriate;
- evaluated the material factors and risks that could impact on the annual financial report and associated reports;
- has considered the latest Pro-active monitoring report and findings and has ensured compliance thereof where applicable;
- evaluated the completeness of the financial and sustainability discussion and disclosures, and is satisfied that theTelemasters group has established appropriate financial reporting procedures and that those procedures are operating in accordance with paragraph 3.84(g)(ii) the JSE Listings Requirements; and
- discussed the treatment of significant and unusual transactions with management and the external auditors.

The committee is satisfied that the expertise and experience of the chief financial officer is appropriate to meet the responsibilities of the position. This is based on the qualifications, levels of experience, and the board's assessment of the financial knowledge of the chief financial officer.

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

Audit and Risk Committee Report

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

The committee has recommended to the board that the audited annual financial statements be adopted and approved by the board.

On behalf of the Audit and Risk Committee.

Marthinus Erasmus
Chairman Audit & Risk Committee

Pretoria

25 September 2018

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated annual financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards, its interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), the financial reporting guides issued by the Accounting Practices Committee of the South African Institute of Chartered Accountants, the requirements of the Companies Act of South Africa and the Listing Requirements of the JSE Limited. The external auditors are engaged to express an independent opinion on the consolidated annual financial statements.

The consolidated annual financial statements are prepared in in accordance with International Financial Reporting Standards, its interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), the financial reporting guides issued by the Accounting Practices Committee of the South African Institute of Chartered Accountants, the requirements of the Companies Act of South Africa and the Listing Requirements of the JSE Limited and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

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

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

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

The consolidated annual financial statements have been audited by the independent auditing firm, Nexia SAB&T, who have been given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditor during the audit were valid and appropriate. The external auditors' report is presented on pages 8 to 11.

The consolidated annual financial statements set out on page s 16 to 49, which have been prepared on the going concern basis, were approved by the board on 28 September 2018 and were signed on its behalf by:

Voigt, Jaco Muller	**Topham, Brandon Rodney**

Independent Auditors Report

To the Shareholders of TeleMasters Holdings Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of TeleMasters Holdings Limited and its subsidiaries (the group) set out on pages 16 to 49, which comprise the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the group as at 30 June 2018, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition	
As disclosed in note 16**,** the consolidated financial statements include revenue of R 114 million (2017: R121 million). The Group has a large number of subscription clients, with varying contractual terms, generating revenue from various services on a monthly basis, which increases the risk associated with recognition and measurement of revenue. Furthermore, the accuracy, completeness and validity of the revenue recorded is significantly reliant on the efficient and effective operation of the internally developed billing system. Revenue recognition and measurement is therefore considered to be a key audit matter due to the large number of subscription clients with varying contractual terms and services.	As part of our response to these key audit matters, we: • evaluated and tested the internal controls relating to revenue; • performed analytical procedures in respect of revenue; • verified that the revenue recognition and measurement policies adopted and implemented were in terms of IFRS; • verified that the revenue processed in the billing system accurately interfaced with the financial reporting system; • verified that the revenue recognised in the financial system was accurately recognised and measured in terms of the customer contractual agreements; • verified that where there were customer contracts in place, the customers were invoiced in terms of these contracts; and • selected transactions before and after the reporting period end, to confirm the transactions were recognised in the correct financial period. We found that the recognition and measurement of revenue was appropriate.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Integrated Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Nexia SAB&T has been the auditor of TeleMasters Holdings Limited and its subsidiaries for 7 years.

Nexia SAB&T

Nexia SAB&T
Director: A. Darmalingam
Registered auditor
25 October 2018

119 Witch-Hazel Avenue
Highveld Techno-park
Centurion

Directors' Report

The directors have the pleasure in presenting their report on the group's activities for the year ended 30 June 2018.

1. Review of activities

Main business and operations

TeleMasters is a licenced communication service provider in the South African market. TeleMasters delivers unified communication and cloud based solutions to business clients. The TeleMasters services stack have many unique selling features that add significant value to its services. TeleMasters has a 21 year track record of innovative and widely accepted services throughout all business sectors in South Africa.

The operating results and state of affairs of the company are fully set out in the attached consolidated annual financial statements and do not in our opinion require any further comment.

General Overview

The net profit of the group was R3 100 617 (2017: R2 457 393) after taxation expense of R1 038 211 (2017: R1 168 424) and reflected earnings per share of 7.38 cents per share (2017: 5.85 cents per share). Headline earnings per share was 7.36 cents per share (2017: 5.85 cents per share).

The Net Asset Value per share increased to 85.00 cents from 82.61 cents. The Net Tangible Asset Value per share was 73.88 cents (2017: 74.04 cents) after the total dividends of 5.00 cents per share (2017: 2.00 cents per share) were paid to shareholders. The gross profit percentage has increased from 33.50% in the prior year to 37.80%. The liquidity of the group is sound and the financial ratios are healthy.

2. Going concern

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

3. 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 non-current assets are set out fully in the attached consolidated annual financial statements.

4. Authorised and issued share capital

The company’s authorised and issued share capital as at 30 June 2018 is set out in note 11 of these consolidated annual financial statements.

As at 30 June 2018, 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 Limited Listings Requirements.

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

5. Events subsequent to reporting date

Other than that disclosed below, the directors are unaware of any significant adjusting or disclosable events that have occurred between the end of the financial year and the date of this report that may materially affect the group’s results for the year under review or its financial position as at 30 June 2018:

A dividend was declared on 20 July 2018 of 1.50 cents per share payable to all shareholders registered on 19 October 2018.

Directors' Report

6. Dividends

The following dividends were declared during for the year:

- A dividend of 1.00 cents per share was declared and payable to all shareholders recorded in the share register of the Company at the close of business on 20 October 2017.
- A dividend of 1.00 cents per share was declared and payable to all shareholders recorded in the share register of the Company at the close of business on 12 January 2018.
- A Dividend of 1.50 cents per share was declared and payable to all shareholders recorded in the share register of the Company at the close of business on 20 April 2018.
- A dividend of 1.50 cents per share was declared and payable to all shareholders recorded in the share register of the Company at the close of business on Friday, 20 July 2018.

The Board remains committed to the policy of quarterly dividends.

During the comparative year ended 30 June 2017, the company declared four dividends totaling 2 cents per share.

7. Major shareholders

Details of the major shareholders are provided in note 36 of the consolidated annual financial statements.

8. Directors

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

Name	Nationality	Changes
Erasmus, Marthinus Gerhardus	South African	
Pretorius, Mario Brönn	South African	Non Executive Chairman from 1 January 2018, previously he was Chief Executive Officer
Smith, Talana	South African	Financial Director 1 March 2017 to 31 August 2017
Steinberg, Willem Frederik	South African	Appointed 1 June 2018
Tappan, Mariette	South African	Appointed 1 February 2018
Topham, Brandon Rodney	South African	Financial Director from 1 September 2017
Voigt, Jaco Muller	South African	Chief Executive Director from 1 January 2018 previously was a non-executive director
Van Der Merwe, Daniel Stephen	South African	Resigned 31 May 2018

9. Litigation

The group is currently involved in the following legal proceedings:

As previously disclosed, the group is currently involved in litigation with a previous client pertaining to outstanding receivables to the value of R3,06 million, however these receivables are adequately secured through cession of listed shares held against the debt owed to the group. The matter is being arbitrated and is pending a decision.

The estimated legal fees to continue pursuing these legal matters are approximately R200 000.

Other than that disclosed above, there are currently no legal or related proceedings against the group, of which the Board is aware, which may have a material effect on the consolidated position of the group.

10. Borrowing limitations

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

Directors' Report

11. Special resolutions

At the company's annual general meeting held on 23 February 2018, the following special resolutions were passed:

- Non-Executive Directors remuneration for the year commencing from 1 July 2017 was approved by the shareholders; and
- A general authority to enter into funding agreements, provide loans or other financial assistance in terms of Sections 44 and 45 of the Companies Act of South Africa was granted.

12. Interest of directors and officers in the company securities

The interests of directors and officers in the company's securities as at 30 June 2018 are as follows:

Number of shares	**2018**	**2017**
Direct:		
Daniel Stephen van der Merwe	254 730	254 730
Indirectly and beneficially:		
Brandon Rodney Topham	633 228	633 228
Mario Bronn Pretorius	35 700 000	35 700 000
Marthinus Gerhardus Erasmus	43 000	43 000
Transactions during the period		
Direct:		
Daniel Stephen van der Merwe	-	40 000
Indirect:		
Marthinus Gerhardus Erasmus	-	43 000

13. Separate financial statements

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

14. Subsidiary company

TeleMasters Holdings Ltd holds 100% of the voting equity and issued share capital of R1 000 in its only subsidiaries Skycall Networks (Pty) Ltd and Spice Telecom (Pty) Ltd. The subsidiaries country of incorporation is South Africa and the nature of their business is the provision of telecommunications & internet services, similar to that of its parent. The total comprehensive income of the Skycall Networks (Pty) Ltd subsidiary during the financial period ended 30 June 2018 amounted to R875 793 (2017: R 522 995) and that of Spice Telecom (Pty) Ltd amounted to R588 341 (2017: R-).

15. Secretary

During the current financial period, the company secretarial services were provided by TAG Consulting (Pty) Ltd until 1 March 2018 on which date Sascha Ramirez was appointed as Company Secretary and who remains as such to date of this report.

Business address

90 Regency Drive
R21 Corporate Park
Irene
Pretoria
0154

Directors' Report

16. Auditors

Nexia SAB&T acted as the group’s auditors for the period ended 30 June 2018 and will be nominated to continue in office in accordance with Section 90 of the Companies Act, as amended, for re-appointment at the annual general meeting. The independence and remuneration of the auditors was confirmed by the group's Audit and Risk Committee.

17. 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 Drive, Route 21 Office Park, Irene, 0157.

18. Composition of Board and Other Committees

The directors' designation, responsibilities and other key information, as well as the responsibilities and committee composition for each director, are fully disclosed in the Corporate Governance report, included in the Integrated Report.

The composition of the Board committees, as well as the attendance of the directors and the committee meetings, is fully disclosed in the Corporate Governance report.

Consolidated Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017
Assets			
Non-Current Assets			
Property, plant and equipment	4	14 741 336	20 081 413
Goodwill	5	3 286 779	2 686 779
Intangible assets	6	1 380 409	913 762
Prepayments	7	4 240 060	6 462 727
		23 648 584	**30 144 681**
Current Assets			
Inventories		627 371	660 142
Trade and other receivables	9	8 646 270	14 991 946
Prepayments	7	4 731 260	4 703 906
Cash and cash equivalents	10	10 874 279	4 269 126
		24 879 180	**24 625 120**
Total Assets		**48 527 764**	**54 769 801**
Equity and Liabilities			
Equity			
Share capital	11	48 059	48 059
Retained income		35 650 324	34 649 707
		35 698 383	**34 697 766**
Liabilities			
Non-Current Liabilities			
Finance lease obligation	12	835 185	2 369 347
Deferred income	13	201 884	462 213
Deferred tax	8	897 146	199 521
		1 934 215	**3 031 081**
Current Liabilities			
Other financial liabilities	14	-	2 995 385
Current tax payable		340 585	123 024
Finance lease obligation	12	2 217 241	2 943 066
Trade and other payables	15	7 966 630	10 634 502
Deferred income	13	260 329	260 329
Bank overdraft	10	110 381	84 648
		10 895 166	**17 040 954**
Total Liabilities		**12 829 381**	**20 072 035**
Total Equity and Liabilities		**48 527 764**	**54 769 801**

Consolidated Statement of Profit and Loss and Other Comprehensive Income as at 30 June 2018

Figures in Rand	Note(s)	2018	2017
Revenue	16	113 567 969	120 628 317
Cost of sales		(70 587 555)	(80 135 980)
Gross profit		**42 980 414**	**40 492 337**
Other income		215 618	185 282
Operating expenses		(38 688 260)	(36 488 150)
Operating profit	17	**4 507 772**	**4 189 469**
Investment revenue		519 405	247 726
Interest paid	18	(888 349)	(811 378)
Profit before taxation		**4 138 828**	**3 625 817**
Taxation	19	(1 038 211)	(1 168 424)
Profit and total comprehensive income for the year		**3 100 617**	**2 457 393**
Basic and diluted earnings per share			
Basic and diluted earnings per share (c)	24	7.38	5.85

Consolidated Statement of Changes in Equity

Figures in Rand	Share capital	Share premium	Total share capital	Retained income	Total equity
Balance at 01 July 2016	**4 200**	**43 859**	**48 059**	**33 032 314**	**33 080 373**
Profit for the year	-	-	-	2 457 393	2 457 393
Total comprehensive income for the year	**-**	**-**	**-**	**2 457 393**	**2 457 393**
Dividends	-	-	-	(840 000)	(840 000)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**-**	**(840 000)**	**(840 000)**
Balance at 01 July 2017	**4 200**	**43 859**	**48 059**	**34 649 707**	**34 697 766**
Profit for the year	-	-	-	3 100 617	3 100 617
Total comprehensive income for the year	**-**	**-**	**-**	**3 100 617**	**3 100 617**
Dividends	-	-	-	(2 100 000)	(2 100 000)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**-**	**(2 100 000)**	**(2 100 000)**
Balance at 30 June 2018	**4 200**	**43 859**	**48 059**	**35 650 324**	**35 698 383**
Note(s)	11	11	11		

Consolidated Statement of Cash Flows

Figures in Rand	Note(s)	2018	2017
Cash flows from operating activities			
Cash generated from operations	20	17 935 905	7 653 512
Interest paid		(888 349)	(461 162)
Tax paid		(123 025)	-
Net cash from operating activities		**16 924 531**	**7 192 350**
Cash flows from investing activities			
Additions to plant and equipment		(1 539 208)	(3 806 001)
Proceeds on disposal of plant and equipment		85 000	78 706
Additions to intangible assets	6	(1 012 520)	(461 200)
Acquisition of subsidiary	28	(300 000)	-
Investment revenue received		519 405	247 726
Net cash in investing activities		**(2 247 323)**	**(3 940 769)**
Cash flows from financing activities			
Proceeds from other financial liabilities	21	-	600 000
Repayment of other financial liabilities	21	(3 443 938)	-
Repayment of finance leases	22	(3 026 190)	(2 373 185)
Dividends paid		(1 627 660)	(837 390)
Net cash in financing activities		**(8 097 788)**	**(2 610 575)**
Total cash movement for the period		**6 579 420**	**641 006**
Cash at the beginning of the period		4 184 478	3 543 472
Total cash at end of the period comprising:	10	**10 763 898**	**4 184 478**
Cash and cash equivalents		10 874 279	4 269 126
Bank overdraft		(110 381)	(84 648)

Accounting Policies

1. Presentation of Consolidated Annual Financial Statements

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards, its interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), the financial reporting guides issued by the Accounting Practices Committee of the South African Institute of Chartered Accountants, the requirements of the Companies Act of South Africa and the Listing Requirements of the JSE Limited.

Basis of preparation
The consolidated annual financial statements have been prepared on the historical cost basis. The financial statements are presented in South African Rand and have been rounded to the nearest R1.

These accounting policies are consistent with those applied in the previous financial period, except for the adoption of new standards which became effective during the current financial year.

1.1 Consolidation

Basis of consolidation

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

The results and performance of the subsidiaries are included in the consolidated annual financial statements from the effective date of acquisition.

The subsidiaries accounting policies are in line with those used by the holding company. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Business combinations

All business combinations are accounted for by applying the acquisition method. The cost of the business combination is the fair value at the date of exchange of the assets 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.

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

Management assessed the various processes surrounding the acquired entity at acquisition date to determine whether existing significant processes, inputs and outputs should be recognised as a business combination. These considerations included:
- Active trading and management of the company
- Collection and payment of various transactions.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty

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

The following are the critical 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 consolidated annual 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 realise the net deferred tax assets recorded at the year end date could be impacted.

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 the estimated amount which the group will currently obtain from disposal of the asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The method of depreciation is annually reviewed and considered whether it is still appropriate.

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

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. Residual values are assumed to be zero, due to the unique nature of the intangible assets of a defined term.

The group tests annually whether intangible assets with indefinite lives have suffered any impairment, in accordance with the accounting policy stated below. The recoverable amounts of certain cash-generating units have been determined based on value-in use calculation. These calculations require the use of estimates. Refer paragraph 1.5 for detail surrounding the estimations utilised in these calculations.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Trade receivables

The group assesses its trade receivables for impairment at each reporting date. The impairment for trade receivables is assessed 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 profit or loss and other comprehensive income, the group makes judgements as to whether there is objective evidence indicating a measurable decrease in the estimated future cash flows from an individual debtors account. Where objective evidence of impairment exist, future cash flows expected to be collected are projected after taking into account market conditions and the credit risk profile of the trade debtors. The present value of these cash flows, determined using the asset's original effective interest rate, is compared to the carrying amount of the trade receivable and, if lower, the trade receivables are impaired to the present value.

Goodwill impairment

The group tests annually whether goodwill has suffered any impairment. The assumptions used in the impairment testing are set out in the Goodwill note of the consolidated annual 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.

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

Impairment losses recognised on goodwill is not allowed to be reversed in future periods.

1.3 Goodwill

Initial recognition and measurement

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

Subsequent measurement

Goodwill is subsequently measured at cost less any accumulated impairment.

Impairment

For the purposes of impairment testing, goodwill is allocated to each of the group’s cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill is allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. Impairment losses recognised on goodwill may not be subsequently reversed.

Accounting Policies

1.4 Property, 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 at their cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Costs include costs incurred initially to acquire an item of plant and equipment and costs incurred subsequently to add to the asset.

Depreciation is charged so as to write off the depreciable amount of assets, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed annually, with the effect of any changes in estimate accounted for on a prospective basis. The depreciation charge for each period is recognised in profit or loss.

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 de-recognised.

Item	Useful life
Furniture and fixtures	6 years
Motor vehicles	5 years
Office equipment	6 years
IT equipment	3 - 4 years
Routers and handsets	3 - 6 years and term of the lease agreement

1.5 Intangible assets

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

Intangible assets 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 annually.

Amortisation is charged so as to write off the cost of intangible assets over their estimated useful lives, using the straight-line method. Intangible asset amortisation is provided on a straight line basis over their useful lives as follows:

Item	Useful life
Computer software	3 years
Licences	Indefinite

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired.

1.6 Impairment of tangible 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.

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

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

1.7 Financial instruments

General

The group classifies financial assets and financial liabilities into the following categories:
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition.

Initial recognition and measurement

Financial instruments are recognised initially when the group becomes a party to the contractual provisions of the 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 instruments are measured initially at fair value.

Transaction costs are included in the initial measurement of financial instruments.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised when its contractual obligations are discharged or cancelled or expire.

Accounting Policies

1.7 Financial instruments (continued)

Impairment of financial assets

At each reporting date the company assesses all financial assets, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the company, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

1.8 Tax

Current tax assets and liabilities

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

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

1.8 Tax (continued)

Deferred tax assets and liabilities

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 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 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.

Current and deferred tax are recognised as an expense or income in profit or loss.

1.9 Leases

Finance leases as lessee

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

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

Accounting Policies

1.9 Leases (continued)

Sale and leaseback transactions

A sale and leaseback transaction involves the sale of an asset and leasing back of the same asset. If a sale and leaseback transaction results in a finance lease for the group, any excess of sales proceeds over carrying value is amortised over the term of new lease as deferred income.

Operating leases – lessee

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

1.10 Employee benefits

Short-term employee benefits

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

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

1.11 Revenue

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 relevant taxes.

Revenue from the sale of goods and the rendering of services is recognised when it is probable that the economic benefits associated with a transaction will flow to the group and the amount of revenue, and associated costs incurred or to be incurred, can be measured reliably.

The nature of the revenue-generating contracts entered into is such that some are post-paid and some are on a prepaid basis. However, in either case, the service is provided in the month relating to the amount invoiced.

The main categories of revenue and the bases of recognition are as follows:

Telephony & Data services

Connection fees: Revenue is recognised on the date of activation of service;

Access charges: Revenue is recognised in the period to which it relates;

Airtime: Revenue is recognised on the usage basis commencing on the date of activation;

Data: Revenue is recognised in the period in which it is made available for use.

Other Income

Equipment sales: All equipment sales to third parties are recognised only when risks and rewards of ownership are transferred to the buyer.

1.12 Borrowing costs

All borrowing costs are recognised as an expense in the period in which they are incurred. There were no qualifying borrowing costs that was capitalised for the year ended.

Accounting Policies

1.13 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are declared.

1.14 Inventories

Inventories are stated at the lower of cost or estimated net realisable value. Cost comprises direct materials and, where applicable, overheads that have been incurred in bringing the inventories to their present location and condition, excluding borrowing costs. The cost of the inventory is determined by means of the First in First Out (FIFO) basis. Net realisable value is the estimate of the selling price in the ordinary course of business, less selling expenses. Provisions are made for obsolete, unusable and un-saleable inventory and for latent damage first revealed when inventory items are taken into use or offered for sale.

1.15 Prepayments

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

Prepaid commission costs are initially recognised at the amount equal to the fair value, and subsequently amortised to profit or loss over the period in which the contractual agreement is effective. Should the underlying contractual agreement be cancelled, all prepaid commission not recoverable, will immediately be expensed through profit and loss.

1.16 Statement of cash flow

The group has adopted the indirect method for preparing the statement of cash flows.

1.17 Contingencies

The group does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

1.18 Investments in subsidiaries

Investments in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.19 Earnings per share

The calculation of earnings per share is based on the profit/(loss) for the period attributable to ordinary shareholders and the weighted average number of ordinary shares in issue during the period. Headline earnings per share is calculated in accordance with circular 4/2018 issued by the South African Institute of Chartered Accountants.

Notes to the Consolidated Annual Financial Statements

	2018	2017

2. 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 Chief Executive Officer is the Chief Operating Decision Maker of the group.

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

- The requirements of an operating segment is that the results of the component of the entity is regularly reviewed by the CODM, however the nature of the services is such that the internal reporting thereof to the CODM is allocated as a single operating segment due to the similarity in nature, process, clients, method of delivery and regulatory environment.

- The nature of group's business is that of a service provider. The services provided, are performed from a single source technology basis. The services provided as billed to single customers, charged on the type of service provided. These range from fixed line services, to cellular services as well as to data and VOIP services. The services provided are not separately run segments or divisions and are managed from a single source, employee and asset base perspective.

- The asset and liabilities used in providing the services are indistinguishable from each other and the same technology platforms are used in providing all services to a customer. It is therefore impossible to obtain specific discernable financial information, except for the billing raised specific to the service which has been charged. This information is presented as such to the CODM.

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

LCR and Digital Direct, our main technologies, are two technologies which are fully integrated to provide one telecommunications solution to our customers and are not separately managed.

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

Notes to the Consolidated Annual Financial Statements

3. New Standards and Interpretations

3.1 Standards and interpretations effective and adopted in the current year

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

The impact of the following standards and interpretations have been assessed by management and are considered not to have a significant effect on the Group's financial results.

Standards	Details of amendment	Annual periods beginning on or after
Amendments to IAS 7: Disclosure initiative	The amendment requires disclosure of changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	1 January 2017

3.2 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 01 July 2018 or later periods. The group will adopt the Standards in the periods for which the standards and interpretations become effective.

Management is in the process of assessing the impact.

Standards	Details of amendment	Annual periods beginning on or after
IFRS 9 (new)	**Financial instruments** The standard requires financial assets to be measured either at amortised cost or fair value depending on the business model under which they are held and the cash flow characteristics of the instrument. In addition, the standard replaces the incurred loss impairment model in IAS 39 with an expected loss model. It will no longer be necessary for a credit event to have occurred before credit losses are recognised *The amendment will be applied retrospectively. Management is currently in the process of assessing the impact of the change.*	1 January 2018

Notes to the Consolidated Annual Financial Statements

3. New Standards and Interpretations (continued)

IFRS 15 (new)	**Revenue from contracts with customers** The IFRS replaces IAS 18 Revenue and provides a single, principles based five-step model to be applied to all contracts with customers. The steps involve identifying the contract, identifying the performance obligations under the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract, and recognising revenue when the entity satisfies a performance obligation.	1 January 2018
	Clarification to IFRS 15 revenue from contracts with customers: The amendment does not change the underlying principles of IFRS 15 but it provides clarity as to how to apply those principles. The amendments clarify how to identify a performance obligation in a contract, determine whether a company is a principal or an agent; and determine whether the revenue from granting a licence should be recognised at a point in time or over time. The amendments also provide reliefs to reduce cost and complexity for a company when it first applies the new standard. *The amendment will be applied retrospectively and will not have a material impact on the Group's financial statements based on the Group's assessment of the underlying principles on the continuing operations of the Group.*	1 January 2018
IFRS 16 (new)	**Leases** The new standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance leases. *The amendment will be applied retrospectively and will have no impact on the Group 's financial statements based on the Group's assessment of the underlying principles on the continuing operations of the Group.*	1 January 2019
IAS 12	**Income taxes** The amendment provides clarification that all income tax consequences of dividends should be recognised in profit or loss, regardless how the tax arises. *The amendment will be applied retrospectively. Management is currently in the process of assessing the impact of the change.*	1 January 2019

4. Property, plant and equipment

	2018			2017		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	673 082	(525 031)	148 051	673 082	(504 992)	168 090
Motor vehicles	833 171	(715 916)	117 255	995 473	(683 484)	311 989
Office equipment	265 854	(200 340)	65 514	255 180	(182 296)	72 884
IT equipment	1 497 171	(1 158 306)	338 865	1 480 345	(1 017 607)	462 738
Routers and handsets	48 621 374	(34 549 723)	14 071 651	53 240 833	(34 175 121)	19 065 712
Total	**51 890 652**	**(37 149 316)**	**14 741 336**	**56 644 913**	**(36 563 500)**	**20 081 413**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	168 090	-	-	(20 039)	148 051
Motor vehicles	311 989	-	(71 413)	(123 321)	117 255
Office equipment	72 884	10 674	-	(18 044)	65 514
IT equipment	462 738	16 826	-	(140 699)	338 865
Routers and handsets	19 065 712	2 277 911	-	(7 271 972)	14 071 651
	20 081 413	**2 305 411**	**(71 413)**	**(7 574 075)**	**14 741 336**

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	224 670	-	-	(56 580)	168 090
Motor vehicles	433 910	-	(20 000)	(101 921)	311 989
Office equipment	81 699	13 899	-	(22 714)	72 884
IT equipment	713 569	-	(58 706)	(192 125)	462 738
Routers and handsets	19 995 603	6 391 971	-	(7 321 862)	19 065 712
	21 449 451	**6 405 870**	**(78 706)**	**(7 695 202)**	**20 081 413**

Carrying value of plant and equipment pledged as security for current finance leases

	2018	2017
Motor vehicles	-	253 764
Routers and handsets	2 631 941	3 618 885
	2 631 941	3 872 649

These items are pledged as security in terms of finance lease liabilities. Refer to note 13 where the terms and conditions associated with the finance lease liabilities are disclosed.

Re-assessment of useful life
The routers and handsets' residual values were reassessed due to the ever changing technological environment in which the group operates, also taking into account the number of routers and handsets the group holds, which lead to a decrease in the residual values of the various assets, and a corresponding increase in the depreciation in the current financial period.

Depreciation increased by R1 216 332 during the current financial period as a result of a re-assessment of the residual value of various assets. The change will result in a decrease in depreciation of R1 216 332 in future periods.

4. Property, plant and equipment (continued)

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

5. Goodwill

	2018			2017		
	Cost	Accumulated impairment	Carrying value	Cost	Accumulated impairment	Carrying value
Goodwill	3 286 779	-	3 286 779	2 686 779	-	2 686 779

Reconciliation of goodwill - 2018

	Opening balance	Additions through business combinations	Total
Goodwill	2 686 779	600 000	3 286 779

Reconciliation of goodwill - 2017

	Opening balance	Total
Goodwill	2 686 779	2 686 779

On 1 January 2018 the company acquired 100% of the issued equity of Spice Telecom (Pty) Ltd, with fair value of assets and liabilities equal to zero, for the cash consideration of R600 000, resulting in Goodwill of R600,000 being recognised. Spice Telecom (Pty) Ltd operates in the Telecommunications industry and will contribute to the Telecommunications operations of the Group through its existing market participation. Refer note 28 for more information relating to the business combination.

The opening goodwill arose on 1 March 2010 with the acquisition of the subsidiary, Skycall Networks (Pty) Ltd . The goodwill recognised originated from the foreseeable benefit to the Group on acquiring the licensed operations of the subsidiary, which together with the existing business of the Group, would result in increased profitability over the foreseeable future.

Assessment of recoverable amounts

During the financial year, the group assessed the recoverable amount of goodwill from the acquisition of Skycall Networks (Pty) Ltd and Spice Telecom (Pty) Ltd. The assessment determined that the goodwill allocated to the cash generating units, were not impaired. The accounting policy that has been applied in assessing impairment of goodwill is set out in the accounting policies relating to Goodwill. No impairment was recognised both in the current and previous financial periods.

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

- Current number of ports in use with no yearly increase;

- Average number of minutes, charges per minutes and fixed monthly charges are kept constant, no increase were applied; and

- Estimated cost of sales increases in line with the number of port increases.

Weighted average rates (as percentage): Skycall Networks (Pty) Ltd	**2018**	**2017**
Discount rate	12.00	12.50

5. Goodwill (continued)

Short-term growth rate	5.50	6.00

Weighted average rates (as percentage): Spice Telecom (Pty) Ltd	**2018**	**2017**
Discount rate	14.00	0.00
Short-term growth rate	6.50	0.00

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

Sensitivity

The value of a 1% increase in the discount rate applied to the discounted cash flow did not result in any indication of impairment. In both instances the value per the discounted cash flow remains in excess of the value of Goodwill.

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

6. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	3 710 279	(2 629 870)	1 080 409	2 697 759	(2 083 997)	613 762
Licences - Indefinite life	300 000	-	300 000	300 000	-	300 000
Total	**4 010 279**	**(2 629 870)**	**1 380 409**	**2 997 759**	**(2 083 997)**	**913 762**

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software	613 762	1 012 520	(545 873)	1 080 409
Licences - Indefinite life	300 000	-	-	300 000
	913 762	**1 012 520**	**(545 873)**	**1 380 409**

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software	662 532	461 200	(509 970)	613 762
Licences - Indefinite life	300 000	-	-	300 000
	962 532	**461 200**	**(509 970)**	**913 762**

Pledged as security

No intangible assets were pledged as security.

Contractual commitments

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

6. Intangible assets (continued)

Assessment of Indefinite life

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

The indefinite life intangible assets were part of the acquisition of Skycall Networks (Pty) Ltd, a 100% subsidiary. They are integral to the assumptions used in determination of the recoverable amount, are identical to those disclosed in note 5 (Goodwill), also forming part of the annual impairment assessment.

7. Prepayments

Reconciliation of prepayments - 2018

	Opening balance	Additions	Realised to profit or loss	Total
Prepaid sales commission	11 166 633	2 919 083	(5 114 396)	8 971 320

Reconciliation of prepayments - 2017

	Opening balance	Additions	Realised to profit or loss	Total
Prepaid sales commission	4 810 038	9 154 182	(2 797 587)	11 166 633

Non-current assets	4 240 060	6 462 727
Current assets	4 731 260	4 703 906
	8 971 320	**11 166 633**

8. Deferred tax

Deferred tax assets/(liabilities)

Allowance for doubtful debt	1 036 635	422 000
Legal fees	-	33 013
Staff bonuses	37 478	103 572
Prepayments	(2 511 970)	(3 126 657)
Employee related accruals	192 148	235 540
Tax losses available for set off against future taxable income	432 563	2 217 011
Licences	(84 000)	(84 000)
	(897 146)	**(199 521)**

Notes to the Consolidated Annual Financial Statements

8. Deferred tax (continued)

Reconciliation of deferred tax asset/(liability) movements

At beginning of the year	(199 521)	845 879
(Decrease) Increase in tax losses available for set off against future taxable income	(1 784 448)	732 336
Reversing temporary difference on lease smoothing	-	(56 560)
Reversing temporary difference on employee related accruals	(43 392)	(96 133)
(Reversing)/ Originating temporary differences on legal fees	(33 013)	33 013
Originating temporary differences on allowance on doubtful debts	614 635	71 587
Reversing/ (Originating) temporary differences on prepayments	614 687	(1 779 847)
(Reversing)/ Originating temporary differences on staff bonus accrual	(66 094)	50 204
	(897 146)	**(199 521)**

Recognition of deferred tax asset

Unrecognised gross tax losses available for future use amounted to R1,294,080.

9. Trade and other receivables

Trade receivables	9 337 127	11 119 213
Allowance for doubtful debts	(4 936 356)	(2 009 533)
Deposits	78 176	78 176
Value Added Tax receivable	872 069	1 453 716
Accruals for revenue	3 286 816	4 166 641
Other receivables	8 438	183 733
	8 646 270	**14 991 946**

The carrying value of trade and other receivables equals their fair value due to the short term nature of these receivables.

Accruals relate to revenue accrued at year end invoiced subsequent to year end.

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to historical information about counter party default rates. Management considers the credit quality of trade and other receivables to be high.

Trade and other receivables past due but not impaired

As at 30 June 2018, the following debtors receivable were past due but not impaired. Management is certain these receivables which are overdue but not impaired as below are recoverable.

1 month past due	561 239	204 476
2 months past due	133 740	215 879
3 months past due	356 100	4 719 648
	1 051 079	**5 140 003**

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

9. Trade and other receivables (continued)

Reconciliation of allowance for doubtful debt

Opening balance	2 009 533	1 668 633
Provision for impairment	3 150 000	850 000
Amounts written off as uncollectable	(223 177)	(509 100)
	4 936 356	**2 009 533**

The creation and release of allowance for impaired receivables have been included in operating expenses in profit or loss. The group considers various factors in quantifying the allowance for doubtful debt, including credit terms, economic conditions, period outstanding and historic payment history.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The company does not hold any collateral as security, other than the security over the receivable currently in dispute (refer to note 33).

10. Cash and cash equivalents

Cash and cash equivalents consist of:

	2018	2017
Cash on hand	3 375	16 852
Bank balances	10 399 819	3 813 804
Short-term deposits	471 085	438 470
Bank overdraft	(110 381)	(84 648)
	10 763 898	**4 184 478**
Current assets	10 874 279	4 269 126
Current liabilities	(110 381)	(84 648)
	10 763 898	**4 184 478**

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

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

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

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

Credit rating		
zaA-1+	10 870 904	4 252 274

zaA-1+ - Standard and Poor's short term high credit quality rating.

11. Share capital

Authorised		
500 000 000 Ordinary shares of 0.001	50 000	50 000

Each share carries one vote per share and carries the right to dividends.

Notes to the Consolidated Annual Financial Statements

11. Share capital (continued)

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)
	48 059	**48 059**
Reconciliation of number of shares in issue		
At the beginning of the year	42 000 000	42 000 000

458 000 000 unissued ordinary shares are under the control of the directors subject to the provisions of the Companies Act and the JSE Listings Requirements. Shares in issue are fully paid up.

12. Finance lease obligation

Minimum lease payments due		
- within one year	2 488 866	3 469 688
- in second to fifth year inclusive	899 949	2 917 491
	3 388 815	6 387 179
less: future finance charges	(336 389)	(1 074 766)
Present value of minimum lease payments	**3 052 426**	**5 312 413**
Non-current liabilities	835 185	2 369 347
Current liabilities	2 217 241	2 943 066
	3 052 426	**5 312 413**

It is the group's policy to acquire motor vehicles and certain larger telephony routers and handsets under finance lease liabilities.

The average finance lease agreement term is 3 – 5 years and the average effective borrowing rate is 10.7% to 11.50% (2017:11.2% to 11.45%). 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 group’s obligations under finance lease liabilities are secured by the lessor’s charge over the financed assets, as disclosed in note 4.

The carrying value of finance lease obligations approximate their fair value, due to the market related interest rate applied against the liabilities.

13. Deferred income

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

Non-current liabilities	201 884	462 213
Current liabilities	260 329	260 329
	462 213	**722 542**

14. Other financial liabilities

Held at amortised cost		
Maison D'Obsession Trust	-	2 995 385

The above loan was unsecured, beared interest at 10.50% per annum, and was repaid in full.

Notes to the Consolidated Annual Financial Statements

14. Other financial liabilities (continued)

The carrying value of other financial liabilities equal their fair value, due to the market linked interest rate charged on the outstanding balance.

15. Trade and other payables

Trade payables	2 591 065	4 142 488
VAT Payable	131 478	-
Shareholders for dividend	711 639	239 299
Accruals	2 774 134	4 081 860
Accrued leave pay	686 237	841 215
Deposits received	574 721	567 945
Employee related payables	363 506	392 095
Staff bonus accrual	133 850	369 600
	7 966 630	**10 634 502**

Trade and other payables are repayable within a period of twelve months. The carrying value of trade and other payables approximates their fair values due mainly to the short term nature.

16. Revenue

Services provided	111 272 938	117 399 775
Sale of goods	2 295 031	3 228 542
	113 567 969	**120 628 317**

17. Operating profit

Operating profit for the year is stated after accounting, amongst others, for the following:

Operating lease charges		
Premises		
Contractual amounts	1 880 879	1 434 906
Equipment		
Contractual amounts	694 838	488 232
	2 575 717	**1 923 138**
Audit fees	467 952	387 269
Employee costs	17 323 049	18 787 580

18. Interest paid

Finance lease liabilities	791 141	452 319
Banks and other financial institutions	6 125	8 843
Other financial liabilities	91 083	350 216
	888 349	**811 378**

Notes to the Consolidated Annual Financial Statements

19. Taxation

Major components of the tax expense

Current		
Local income tax - current period	340 586	123 024
Deferred		
Deferred tax relating to the origination and reversal of temporary differences - refer to note 7	697 625	1 045 400
	1 038 211	**1 168 424**

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Accounting profit	4 138 828	3 625 817
Tax at the applicable tax rate of 28% (2017: 28%)	1 158 872	1 015 229
Tax effect of adjustments on taxable income		
Non-deductible donations	6 140	75 874
Non-taxable income	-	(72 892)
Underprovision of previous period taxation	-	150 213
Unrecognised tax loss utilised	(201 338)	-
Non-deductible other expenses	74 537	-
	1 038 211	**1 168 424**

20. Cash (used in) generated from operations

Profit before taxation	4 138 828	3 625 817
Adjustments for:		
Depreciation	7 574 075	7 695 202
Profit on sale of property, plant and equipment	(13 587)	-
Investment revenue	(519 405)	(247 726)
Interest paid	888 349	811 378
Deferred income amortised	(260 329)	(260 328)
Amortisation	545 873	509 970
Changes in working capital:		
Decrease/ (increase) in inventories	32 771	(26 977)
Decrease/ (increase) in trade and other receivables	6 494 229	(303 203)
Decrease/ (increase) in prepayments	2 195 313	(6 356 595)
Increase/ (decrease) in trade and other payables	(3 140 212)	2 205 974
	17 935 905	**7 653 512**

21. Repayment of other financial liabilities

Balance at the beginning of the year	(2 995 379)	(2 494 721)
Offsetting financial instrument	(448 559)	449 558
Interest accrued for the year	(53 872)	(350 216)
Interest paid	53 872	-
Balance at the end of the year	-	(2 995 379)
Cash (paid)/ received from other financial liabilities	**(3 443 938)**	**(2 395 379)**

22. Repayment of finance leases

Balance at the beginning of the year	(5 312 413)	(5 085 728)
New leases entered into	(766 203)	(2 599 870)
Balance at the end of the year	3 052 426	5 312 413
Repayment of finance leases	**(3 026 190)**	**(2 373 185)**

23. Directors' emoluments

Executive

2018

	Directors' fees	Company contributions and benefits	Total
Pretorius, Mario Brönn	1 030 665	43 404	1 074 069
Smith, Talana	160 000	1 897	161 897
Topham, Brandon Rodney	271 500	2 898	274 398
Voigt, Jaco Muller	814 500	8 829	823 329
	2 276 665	**57 028**	**2 333 693**

2017

	Emoluments	Other benefits	Total
Pretorius, Mario Brönn	1 200 000	83 511	1 283 511
Smith, Talana	320 000	-	320 000
Topham, Brandon Rodney	189 000	1 890	190 890
	1 709 000	**85 401**	**1 794 401**

Non-executive

2018

	Directors' fees	Company contributions and benefits	Total
Erasmus, Marthinus Gerhardus	189 000	870	189 870
Steinberg, Willem Frederik	15 750	-	15 750
Tappan, Mariette	78 750	737	79 487
Van Der Merwe, Daniel Stephen	210 000	1 990	211 990
	493 500	**3 597**	**497 097**

2017

	Directors' fees	Company contributions and benefits	Total
Erasmus, Marthinus Gerhardus	189 000	1 890	190 890
Voigt, Jaco Muller	189 000	1 890	190 890
Van Der Merwe, Daniel Stephen	252 000	10 509	262 509
	630 000	**14 289**	**644 289**

All benefits are of a short-tem nature. No Post-employment benefits, other long-term benefits or share-based payments are paid or accrue to any employees or directors of the group.

Notes to the Consolidated Annual Financial Statements

24. Earnings per share

	Period ended 30 June 2018	Period ended 30 June 2017
Earnings and diluted earnings per share (cents)	7.38	5.85
Headline and diluted headline earnings per share (cents)	7.36	5.85

There were no dilutive instruments in issue during this or the previous financial year or at the respective year ends.

The Earnings per share and Headline earnings per share were determined using the following information:

Earnings used in the calculation of basic and diluted earnings per share	**R**	**R**
Profit attributable to shareholders of the group	3 100 617	2 457 393
Reconciliation between earnings per share and headline earnings per share		
Profit attributable to shareholders of the group	3 100 617	2 457 393
Profit on disposal of plant and equipment	(13 587)	-
Tax effect of profit on disposal of plant and equipment	3 804	-
	3 090 834	**2 457 393**
Shares as at 30 June 2018	42 000 000	42 000 000
Shares as at 30 June 2017	42 000 000	42 000 000

25. Dividend per share

Dividends declared from retained earnings	2 100 000	840 000
Total dividends declared	2 100 000	840 000
Shares in issue	42 000 000	42 000 000
Dividend per share (DPS- cents)	5.00	2.00

Notes to the Consolidated Annual Financial Statements

26. Related parties

Relationships	
Subsidiaries	Refer to note 27
Members of key management	Jaco Voigt (from 1 January 2018)
	Brandon Topham
	Talana Smith (to end August 2017)
	Mario Pretorius (to end December 2017)
Non-Executive Directors	Daniel Stephen van der Merwe (to end May 2018)
	Marthinus Gerhardus Erasmus
	Willem Frederik Steinberg
	Marriette Tappan
Entity in which a member of key management and non executive directors have beneficial interest	
Brandon Topham	TAG Consulting (Pty) Ltd
	TAG Employee Fund Administrators (Pty) Ltd
	BRAT Trust
	Seesa (Pty) Ltd
Mario Bronn Pretorius	Snowy Owl Properties 82 (Pty) Ltd
	Telemasters (Pty) Ltd
	Maison D'Obsession Trust
	Zero Plus Trading 194 (Pty) Ltd
Marthinus Gerhardus Erasmus	Arbor Capital Company Secretarial (Pty) Ltd
	Arbor Capital Corporate Finance (Pty) Ltd
Jaco Voigt	Perfectworx Consulting (Pty) Ltd
	Contineo Virtual Communications (Pty) Ltd

Related party balances

Loan accounts - Owing (to) by related parties		
Maison D'Obsession Trust	-	(2 995 379)
Amounts included in Trade receivables or (Trade Payables)		
Perfectworx Consulting (Pty) Ltd	(25 760)	-
Snowy Owl Properties 82 (Pty) Ltd	(200 574)	130 995
Telemasters (Pty) Ltd	(175 920)	-

Related party transactions

Interest paid to (received from) related parties		
Maison D'Obsession Trust	91 083	350 216
Purchases from related parties		
Perfectworx Consulting (Pty) Ltd	1 378 318	2 194 875
Contineo Virtual Communications (Pty) Ltd	7 491 419	6 534 206
Zero Plus Trading 194 (Pty) Ltd	226 500	-
Telemasters (Pty) Ltd	175 439	210 526
Rent paid to (received from) related parties		
Snowy Owl Properties 82 (Pty) Ltd	1 795 425	1 378 895
Sales to related parties		
Contineo Virtual Communications (Pty) Ltd	43 013	-
Telemasters (Pty) Ltd	503 846	385 430
TAG Employee Fund Administrators (Pty) Ltd	14 083	-
Administration fees paid to related parties		
Arbor Capital Company Secretarial (Pty) Ltd	135 000	120 000
Seesa (Pty) Ltd	56 047	-

26. Related parties (continued)

Consulting fees paid to related parties		
BRAT Trust	-	21 272
TAG Consulting (Pty) Ltd	333 593	248 553
Arbor Capital Corporate Finance (Pty) Ltd	90 000	120 000
Compensation to directors and other key management		
Chief Operating Officer	1 055 482	945 852
Short-term employee benefits – Executive directors*	1 862 832	1 792 511

*Directors emoluments have been disclosed in note 23 to the consolidated annual financial statements. Refer to note 36 where the major shareholders are listed.

Transactions with related parties were effected on a commercial basis and is continuously reassessed.

All transactions with related parties were undertaken on an arm's length basis. The amounts due to and from related parties are payable on terms of trade that are no more favourable than those that apply to all other suppliers and debtors of the group. The normal terms and conditions are applicable to all purchases from or to related parties which means that amounts are unsecured and are payable within 30 days of invoice. No provision for bad debt has been made or any amount has been written off against any related party transaction.

27. Investments in subsidiaries

Name of company	Held by	% holding 2018	% holding 2017	Cost of investment 2018	Cost of investment 2017
Skycall Networks (Pty) Ltd	Telemasters Holdings Ltd	100.00 %	100.00 %	1 800 000	1 800 000
Spice Telecom (Pty) Ltd	Telemasters Holdings Ltd	100.00 %	- %	600 000	-

The total comprehensive income of the subsidiary Skycall Networks (Pty) Ltd during the financial year ended 30 June 2018 amounted to R875 793 (2017: R 522 994). No restrictions on the ability to access or use the assets or liabilities of the subsidiary exist.

The total comprehensive income of the subsidiary Spice Telecom (Pty) Ltd during the financial year ended 30 June 2018 amounted to R588 341 (2017: R -). No restrictions on the ability to access or use the assets or liabilities of the subsidiary exist.

28. Business combinations

Spice Telecom (Pty) Ltd

On 1 January 2018 the company acquired 100% of the issued equity of Spice Telecom (Pty) Ltd, with fair value of assets and liabilities equal to zero, for the cash consideration of R600 000, resulting in Goodwill of R600,000 being recognised. Spice Telecom (Pty) Ltd operates in the Telecommunications industry and will contribute to the Telecommunications operations of the Group through its existing market participation.

Fair value of assets acquired and liabilities assumed

Goodwill	600 000	-

Revenue and profit or loss of Spice Telecom (Pty) Ltd

Revenue of R 3 798 737 and profit of R 588 341 of Spice Telecom (Pty) Ltd have been included in the company's results since the date of acquisition.

29. Risk management

Financial instrument risk exposure and management

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

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

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

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

- Trade and other receivables;
- Finance lease obligation;
- Cash and cash equivalents;
- Other financial liabilities;
- Trade and other payables; and
- Bank overdraft:

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

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

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

Procedures for avoiding excessive concentration of risk include:

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

Liquidity risk
- 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.

29. Risk management (continued)

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 trade payables during the course of the financial year.

Contractual maturity analysis - 30 June 2018	Payable within one year or on demand	Payable within 2 to 5 years
Bank overdraft	110 381	-
Finance lease liabilities	2 217 241	835 185
Trade and other payables	7 966 630	-

Contractual maturity analysis - 30 June 2017	Payable within one year or on demand	Payable within 2 to 5 years
Bank overdraft	84 648	-
Finance lease liabilities	2 943 066	2 369 347
Trade and other payables	10 634 503	-
Other financial liabilities	2 995 379	-

Credit risk

Credit risk arises from trade receivables and cash and other equivalents . 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.

The maximum exposure of financial assets to credit risk equates to the carrying amounts as presented on the Statement of Financial Position.

Should the need arise it would be the group's policy to take collateral. Collateral has been obtained in respect of a receivable balance in the form of security over the issued shares of the client. 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 manages its credit risk regarding cash and cash equivalents by monitoring the cash and cash equivalents on a monthly basis in performing reconciliations on the accounts. Further risk regarding cash and cash equivalents is mitigated by only banking with well known and low risk financial institutions. The group also monitors the use of cash and cash equivalents to ensure that no significant overdraft facilities are utilised in the business.

Potential credit exposure:

Trade and other receivables	7 774 201	13 538 230
Cash and cash equivalents	10 870 904	4 252 274

29. Risk management (continued)

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

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

Interest rate risk

Interest rates on finance lease liabilities are linked to the overdraft rate. The prime rate as at year end was 10.0% (2017:10.25%). The interest rates on finance lease liabilities vary from 10.70% to 11.50% (2017: 11.2% to 11.45%).

The group also holds cash and cash equivalents, which earn interest at variable rates. Consequently, the group is exposed to cash flow interest rate risk. Excess funds are deposited with reputable financial institutions 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 Statement of Comprehensive Income of an instantaneous increase or decrease in market interest rates on financial instruments from the applicable rate as at 30 June 2018, for each class of financial instrument with all other variables remaining constant. The calculations were done with reference to the outstanding financial liability and financial asset balances for the year. This represents no change from the prior period in the method and assumptions used. This analysis is for illustrative purposes only and represents management's best estimate.

At 30 June 2018, if interest rates on Rand-denominated borrowings had been 0.1% higher/lower with all other variables held constant, post-tax profit for the year would have been R 5 550 (2017: R 8 121) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Fair value interest rate risk

Financial instrument	Current interest rate	Due in less than year
2018		
Other financial liabilities	-	-
2017		
Other financial liabilities	10.50%	R2 995 379

30. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2018

	Loans and receivables	Total
Trade and other receivables	7 774 201	7 774 201
Cash and cash equivalents	10 874 279	10 874 279
	18 648 480	**18 648 480**

Notes to the Consolidated Annual Financial Statements

30. Financial assets by category (continued)

2017

	Loans and receivables	Total
Cash and cash equivalents	4 269 126	4 269 126
Trade and other receivables	13 538 230	13 538 230
	17 807 356	**17 807 356**

31. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2018

	Financial liabilities at amortised cost	Total
Trade and other payables	7 491 012	7 491 012
Bank overdraft	110 381	110 381
Finance lease obligations	3 052 426	3 052 426
	10 653 819	**10 653 819**

2017

	Financial liabilities at amortised cost	Total
Finance lease obligations	5 312 413	5 312 413
Other financial liabilities	2 995 379	2 995 379
Trade and other payables	9 213 688	9 213 688
Bank overdraft	84 648	84 648
	17 606 128	**17 606 128**

32. Commitments for expenditure

Operating lease payments represent rentals payable by the group for certain of its office properties and equipment leases. Property leases are negotiated annually and rentals are fixed for 12 months. No contingent rent is payable on these operating leases. No sub-lease payments are applicable as the group does not sublease.

	Year ended 30 June 2018	**Year ended 30 June 2017**
Minimum operating lease payments under non cancelable leases due		
- Within one year	1 683 941	1 985 384
- Within two to five years	-	693 049

No commitments for capital expenditure to acquire property, plant and equipment or other non-current assets have been identified.

33. Contingencies

The group is currently involved in the following legal proceeding:
- The group is currently involved in litigation with a previous client pertaining to outstanding receivables to the value R3,06 million, however these receivables are adequately secured through cession of listed shares held against the debt owed to the group. The matter is being arbitrated and is pending a decision.

The estimated legal fees to continue pursuing these legal matters are approximately R200 000.

Other than that disclosed above, there are currently no contingent liabilities of which the Board is aware, which may have or have had in the 12 months preceding the date of this report, a material effect on the consolidated position of the group.

34. Subsequent events

A dividend of 1.5 cents per share was declared by the group on 20 July 2018.

Other than the dividend declaration, 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 June 2018.

35. Going concern

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

36. Major shareholders

Shareholders holding more than 5% - at year end	**% Holding**	**No. of shareholders**	**No. of shares**
Shareholder:			
Maison D'Obsession Trust - CEO Beneficial Interest	85	1	35 700 000
Soundprops 1159 Investments (Pty) Ltd	3	1	1 136 620
Public and staff with no restrictions on dealings	12	238	5 163 380
	100	**240**	**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 Drive, Route 21 Corporate Office Park, Irene, 0157, Pretoria, at 09:30 on 7 December 2018. The record date on which shareholders must be recorded as such in the register maintained by the transfer secretaries of the company for purposes of determining which shareholders are entitled to attend and vote at the Annual General Meeting is Friday, 30 November 2018. The Meeting to consider, and if deemed fit, to pass, with or without non-material 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 June 2018, together with the Directors' and Auditors' reports thereon, be and are hereby received, considered and adopted."

   In order for this ordinary resolution to be adopted, the support of 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the annual general meeting and entitled to exercise voting rights on the resolution is required.

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

   "**RESOLVED THAT** Mr M Erasmus, who retires in accordance with the provisions of the Company's Memorandum of Incorporation, but being eligible, offers himself for re-election, be and is hereby re-elected as a director of the Company."
   A curriculum vitae for Mr M Erasmus is set out under Directors' and Executive Managers' Profiles.

   In order for this ordinary resolution to be adopted, the support of 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the annual general meeting and entitled to exercise voting rights on the resolution is required.

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

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

   A curriculum vitae for Mr MB Pretorius is set out under Director's and Executive Managers' Profiles.

   In order for this ordinary resolution to be adopted, the support of 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the annual general meeting and entitled to exercise voting rights on the resolution is required.

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

"**RESOLVED THAT** the remuneration paid to executive and non-executive directors for the financial year ending 30 June 2018 as disclosed in note 23 of the annual financial statements, be and is hereby approved."

In order for this ordinary resolution to be adopted, the support of 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the annual general meeting and entitled to exercise voting rights on the resolution is required.

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

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

In order for this ordinary resolution to be adopted, the support of 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the annual general meeting and entitled to exercise voting rights on the resolution is required.

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

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

In order for this ordinary resolution to be adopted, the support of 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the annual general meeting and entitled to exercise voting rights on the resolution is required.

7. **Ordinary resolution number 7 – 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 un-issued 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 Stock Exchange News Service (SENS), give full details thereof, including the effect on the net asset value of the Company and earnings per share;
- The number of ordinary shares that may be issued shall not, in the current financial year, in aggregate, exceed 21 000 000 (twenty one million) shares (including any shares which are compulsorily convertible into ordinary shares), being 50% of the Company's issued ordinary shares at the date of this notice of annual general meeting; and
- The maximum discount at which shares may be issued is 10% of the weighted average traded price of the Company's shares over the 30 business days prior to the date that the price of the issue is determined or agreed by the directors of the applicant."

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

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

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

In order for this ordinary resolution to be adopted, the support of 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the annual general meeting and entitled to exercise voting rights on the resolution is required.

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

"**RESOLVED THAT** the dividends as disclosed in note 25 of the annual financial statements, totaling 5 cents per share declared and paid by the directors for the financial year ending 30 June 2018 be and are hereby approved."

In order for this ordinary resolution to be adopted, the support of 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the annual general meeting and entitled to exercise voting rights on the resolution is required.

10. **Ordinary resolution number 10 – Appointment of Mr M G Erasmus as member and Chair of the Audit & Risk Committee**

"RESOLVED THAT the appointment of M G Erasmus as a member and Chair of the Audit & Risk Committee of the Company for the forthcoming year ended 30 June 2019 and until the next AGM be and is hereby approved."

In order for this ordinary resolution to be adopted, the support of 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the annual general meeting and entitled to exercise voting rights on the resolution is required.

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

"RESOLVED THAT Mrs M Tappan be and is hereby appointed as a member of the Audit & Risk Committee of the Company for the forthcoming year ended 30 June 2019 and until the next AGM be and is hereby approved."

In order for this ordinary resolution to be adopted, the support of 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the annual general meeting and entitled to exercise voting rights on the resolution is required.

12. **Ordinary resolution number 12 – Appointment of Mr W F Steinberg as member of the Audit & Risk Committee**

"RESOLVED THAT Mr W F Steinberg be and is hereby appointed as a member of the Audit & Risk Committee of the Company for the forthcoming year ended 30 June 2019 and until the next AGM be and is hereby approved."

In order for this ordinary resolution to be adopted, the support of 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the annual general meeting and entitled to exercise voting rights on the resolution is required.

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

"RESOLVED THAT Sascha Ramirez-Victor, is hereby appointed as Company Secretary."

In order for this ordinary resolution to be adopted, the support of 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the annual general meeting and entitled to exercise voting rights on the resolution is required.

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

"RESOLVED THAT the Remuneration Policy as determined and implemented by the Remuneration committee from time to time is hereby endorsed by way of a non-binding advisory vote." A summary of which is included in the integrated report under the Remuneration committee section included in the Corporate Governance report.

Motivation for the advisory endorsement.

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

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

"RESOLVED by way of a separate non-binding advisory vote that the implementation of the Company's remuneration policy (excluding the remuneration of non-executive directors for their services as directors and members of Board Committees and the Audit & Risk Committee) as set out in the Annual Financial statements for the year ended 30 June 2018.

Motivation for the advisory endorsement.

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

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

"**RESOLVED THAT** the Non-executive Directors' remuneration for the year commencing 1 July 2018, which shall not exceed the amounts detailed below, excluding VAT, be and is hereby approved."

	Amount per annum
Mr M G Erasmus	R450 000
Mr W F Steinberg	R450 000
Mrs M Tappan	R450 000
Mr M B Pretorius	R1 200 000

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

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

"RESOLVED that in terms of Section 44 and 45 of the Act, the Company be and is hereby granted approval to enter into direct or indirect funding agreements or guarantee a loan or other obligation, secure any debt or obligation or to provide loans or financial assistance between subsidiaries or between itself and its directors, prescribed officers, subsidiaries, or any related or 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. Loans to the value not exceeding Twenty Million Rand is hereby approved between the Company and its' subsidiary.

Reason and effect of special resolution number 2 The purpose of this resolution is to enable the Company to enter into funding arrangements with its directors, prescribed officers, subsidiaries and their related and inter-related persons and to allow inter group loans between subsidiaries. This special resolution requires a vote of 75% of shareholders eligible to vote at the general meeting in terms of Section 66(9) of the Act.

NOTICE OF THE ANNUAL GENERAL MEETING

Electronic Participation
In terms of section 61(10) of the Companies Act, 71 of 2008, as amended, every shareholders' meeting of a public company must be reasonably accessible within South Africa for electronic participation by shareholders. Shareholders wishing to participate electronically in the annual general meeting are required to deliver written notice to the Transfer Secretaries, Link Market Services South Africa (Pty) Limited, 13th Floor, 19 Ameshoff Street, Braamfontein 2017 by no later than 09h30 on 5 December 2018 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 commencement of the annual general meeting the Company shall use its reasonable endeavors to notify a shareholder at his contact address/number who has delivered a valid Electronic Notice of the relevant details through which the shareholder can participate via electronic communication.

A form of proxy which sets out the relevant instructions for use is attached for those members who wish to be represented at the annual general meeting of members. Duly completed forms of proxy must be lodged with the transfer secretaries, Link Market Services South Africa Pty) Limited, 13th Floor, 19 Ameshoff Street Braamfontein 2017 by no later than 09h30 on 5 December 2018.

By order of the Board

Sascha Ramirez-Victor
Company Secretary
90 Regency Drive
Route 21 Corporate Office Park
Irene

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 Drive, Route 21 Corporate Office Park, Irene, 0157, Pretoria, at 09h30 on 7 December 2018 ("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 non-material modification, the resolutions to be proposed thereat and at any adjournment thereof and to vote for and/or against the resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name/s, in accordance with the following instructions:

Number of votes (one vote per share)

	For	Against	Abstain
Ordinary resolution number 1 – Adoption of annual financial statements			
Ordinary resolution number 2 – Director retirement and re-election – M Erasmus			
Ordinary resolution number 3 – Director retirement and re-election – MB Pretorius			
Ordinary resolution number 4 – Directors' remuneration			
Ordinary resolution number 5 – Appointment of auditors and remuneration			
Ordinary resolution number 6 – Placing un-issued shares under control of directors			
Ordinary resolution number 7 – General authority to allot and issue shares for cash			
Ordinary resolution number 8 – Authority to execute requisite documentation			
Ordinary resolution number 9 – Approval of dividends declared and paid			
Ordinary resolution number 10 – Appointment of M G Erasmus as member & Chair of Audit & Risk Committee			

Ordinary resolution number 11 – Appointment of M Tappan as member of Audit & Risk Committee			
Ordinary resolution number 12 – Appointment of W F Steinberg as member of Audit & Risk Committee			
Ordinary resolution number 13 - Approval of Company Secretary			
Non-binding advisory resolution number 1 - Approval of Remuneration Policy			
Non-binding advisory resolution number 2 - Approval of Implementation report			
Special resolution number 1 – Non-executive Directors' remuneration			
Special resolution number 2 – General authority to enter into funding agreements, Provide loans or other financial assistance			

Signed at on 2018

Signature

Assisted by me (where applicable)

Name Capacity Signature

(Please print in BLOCK LETTERS)

Certificated shareholders and dematerialised shareholders with "own name" registration

If you are unable to attend the annual general meeting of shareholders to be held at 09h30 on 7 December 2018 in the boardroom of TeleMasters Holdings Ltd, 90 Regency Drive, 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, Link Market Services South Africa Pty) Limited, 13th Floor, 19 Ameshoff Street, Braamfontein 2017 by no later than 09h30 on 5 December 2018.

FORM OF PROXY

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.

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 09h30 on 5 December 2018.
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 or expires earlier (section 58(2)).
3. A shareholder may appoint two or more persons concurrently as proxies and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder (section 58(3)(a)).
4. A proxy may delegate his or her authority to act on behalf of the shareholder to another person, subject to any restriction set out in the instrument appointing the proxy ("proxy instrument")(section 58(3)(b)).
5. A copy of the proxy instrument must be delivered to the company, or to any other person acting on behalf of the company, before the proxy exercises any rights of the shareholders company, at a shareholders' meeting (section 58(3)(c)) and in terms of the memorandum of incorporation ("MOI") of the company at least 48 hours before the meeting commences.
6. Irrespective of the form of instrument used to appoint a proxy: The appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder (section 58)4)(a)); the appointment is revocable unless the proxy appointment expressly states otherwise (section 58(4)(b)); and if the appointment is revocable, a shareholder may revoke the proxy appointment by cancelling it in writing or by making a later, inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the Company (section 58(4)(c)).
7. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered as contemplated in paragraph 6.3 above (section 58(5)).
8. If the proxy instrument has been delivered to a company, as long as that appointment remains in effect, any notice required by the Companies Act or the company's MOI to be delivered by the company to the shareholder must be delivered by the company to the shareholder (section 58(6)(a), or the proxy or proxies, if the shareholder has directed the company to do so in writing and paid any reasonable fee charged by the company for doing so (section 58(6)(b)).
9. A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent that the MOI or proxy instrument provides otherwise (section 58(7)).
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)).