**TeleMasters Holdings Limited**
**(Registration number 2006/015734/06)**
**Consolidated Annual Financial Statements**
**for the year ended 30 June 2015**

**These consolidated annual financial statements were prepared by:**
**Brandon Topham CA(SA)**
**These consolidated annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.**

# General Information

| | |
|---|---|
| **Country of incorporation and domicile** | South Africa |
| **Nature of business and principal activities** | TeleMasters delivers full telecommunications connectivity voice services across South Africa to SMEs and enterprise clients. We acquired full ICASA ECS and ECNS telecommunications licences and can carry all call types to all destinations. |
| **Directors** | Brandon Rodney Topham - Executive<br>Daniel Stephen Van Der Merwe - Independent Non Executive<br>Jaco Voigt - Non Executive<br>Mario Bronn Pretorius - Executive<br>Marthinus Gerhardus Erasmus - Non Executive (Appointed 7 August 2014) |
| **Registered office** | 90 Regency Street<br>Route 21 Office Park<br>Irene<br>0157 |
| **Business address** | 90 Regency Street<br>Route 21 Office Park<br>Irene<br>0157 |
| **Postal address** | P. O. Box 68255<br>Highveld Park<br>Irene<br>0169 |
| **Bankers** | First National Bank |
| **Auditors** | Nexia SAB&T<br>Chartered Accountants (S.A.)<br>Registered Auditors |
| **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** | Brandon Topham |
| **Tax reference number** | 9683978143 |
| **Preparer** | The consolidated annual financial statements were internally compiled by:<br>Brandon Topham CA(SA) |
| **VAT registration number** | 4550231056 |

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# 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 company 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. The external auditors are engaged to express an independent opinion on the consolidated annual financial statements.

The consolidated annual financial statements are prepared in accordance with International Financial Reporting Standards and 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 year 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 external auditors are responsible for independently reviewing and reporting on the company's consolidated annual financial statements. The consolidated annual financial statements have been examined by the company's external auditors and their report is presented on page 8.

The consolidated annual financial statements set out on page 9 to 42, which have been prepared on the going concern basis, were approved by the board on 30 September 2015 and were signed on its behalf by:

| **Mario Bronn Pretorius - Executive** | **Brandon Rodney Topham - Executive** |
| --- | --- |

# Directors' Report

The directors have the pleasure in presenting their report on the Group's activities for the year ended 30 June 2015.

## 1. Review of activities

### Main business and operations

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

### General Overview

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

The net profit of the Group was R2,752,166 (2014: R2 667 430), after taxation expense of R921,701 (2014: R1 121 240) and reflected earnings per share of 6.55 cents (2014: 6.35 cents). Headline earnings per share was 6.54 cents (2014: 6.33 cents).

The Net Asset Value per share increased to 76.97 cents from 76.30 cents. The Net Tangible Asset Value per share was 68.44 cents (2014: 66.95 cents) after the total dividends of 6 cents per share (2014: 3 cents) were paid to shareholders. The gross profit percentage has increased from 25.24% in prior period to 29.83%. 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 financial statements.

## 4. Authorised and issued share capital

The Company's authorised and issued share capital as at 30 June 2015 is set out in note 11 of the financial statements.

As at 30 June 2015, there were 42 000 000 issued ordinary shares and 458 000 000 unissued ordinary shares. The unissued ordinary shares are under the control of the directors subject to the provisions of the Companies Act and the JSE Listings Requirements.

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

## 5. Events subsequent to reporting date

The directors are unaware of any 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 2015.

# Directors' Report

## 6. Dividends

The following dividends were declared during the year to date:

- A cash dividend of 2 cents per share which was paid to shareholders recorded in the company's share register at the close of business on 17 October 2014;
- A cash dividend of 2 cents which was paid to shareholders recorded in the company's share register at the close of business on 16 January 2015;
- A cash dividend of 1 cents which was paid to shareholders recorded in the company's share register at the close of business on 17 April 2015.
- A cash dividend of 1 cents which was paid to shareholders recorded in the company's share register at the close of business on 17 July 2015.

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

During the comparative year ended 30 June 2014, the Company declared three dividends totalling three cents per share.

## 7. Major shareholders

Details of the major shareholders are provided in note 30 of the Annual Financial Statements.

## 8. Directors

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

| Name | Designation |
| --- | --- |
| Brandon Rodney Topham - Executive | Executive |
| Daniel Stephen Van Der Merwe - Independent Non Executive | Independent Non-Executive |
| Jaco Voigt - Non Executive | Non-Executive |
| Mario Bronn Pretorius - Executive | Executive |
| Marthinus Gerhardus Erasmus - Non Executive (Appointed 7 August 2014) | Non-Executive |

## 9. Litigation

The company is currently involved in the following preceedings:

The Company is currently involved in litigation with a previous client pertaining to outstanding receivables to the value of R4.1 million, however these receivables are adequately secured through cession of shares held against the debt owed to the group. The previous client has lodged a counter claim against the Company for a similar amount as the claim the Company has against them. The matter has been referred for arbitration which should commence in the near future.

Additionally, the Company is currently involved in litigation with a previous supplier relating to disputes over billed expenditure from the suppler to the value of R1.6 million.

The estimated legal fees to continue pursuing these legal matters are approximately R600 000.

## 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 25 February 2015, the following special resolutions were passed:

- Directors remuneration for the year commencing from 1 July 2014 was approved by the shareholders; and
- General authority to enter into funding agreements, provide loans or other financial assistance in terms of Sections 44 and 45 of the Companies Act was granted.

### 12. Power to amend the annual consolidated financial statements

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

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

The interests of directors and officers in the Group's securities as at 30 June 2015 are as follows:

| **Number of shares** | **2015** | **2014** |
| --- | --- | --- |
| Shareholding at year end | | |
| **Direct:** | | |
| DS van der Merwe | 214 730 | 148 709 |
| **Indirectly and beneficially:** | | |
| BR Topham | 633 228 | 632 228 |
| MB Pretorius | 35 700 000 | 35 700 000 |
| Share dealings during the financial year: | | |
| Shares (disposed)/ acquired indirectly and beneficially: | | |
| BR Topham | 1 000 | 75 860 |
| DS van der Merwe | 66 021 | 128 709 |

### 14. Separate financial statements

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

### 15. Subsidiary company

TeleMasters Holdings Ltd holds 100% of the voting equity and issued share capital of R1 000 in its only subsidiary Skycall Networks (Pty) Ltd. The subsidiary's country of incorporation is South Africa and the nature of its business is the provision of telecommunications services. The total comprehensive income of the subsidiary during the financial period ended 30 June 2015 amounted to R 2 881 152 (2014: R 1 446 319).

### 16. Secretary

The Company Secretary during the year under review was Brandon Topham,

Business address

100A Club Avenue
Waterkloof Ridge
Pretoria
0181

### 17. Auditors

Nexia SAB&T acted as the Group's auditors for the period ended 30 June 2015 and will continue in office in accordance with Section 90 of the Companies Act, as amended. The independence and remuneration of the auditors was confirmed by the Group's Audit Committee.

## Directors' Report

### 18. Registered address

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

### 19. Composition of Board and Board Committees

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

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

# Independent Auditor's Report

**To the Shareholders of TeleMasters Holdings Limited**

We have audited the accompanying consolidated annual financial statements of TeleMasters Holdings Limited and its subsidiaries, set out on pages 9 to 42, which comprise the consolidated statement of financial position as at 30 June 2015, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

**Directors' Responsibility for the Consolidated Annual Financial Statements**

The company's directors are responsible for the preparation and fair presentation of these consolidated annual financial statements in accordance with International Financial Reporting Standards and 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 annual financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

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

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

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

**Opinion**

In our opinion, these consolidated annual financial statements present fairly, in all material respects, the consolidated financial position of TeleMasters Holdings Limited and its subsidiaries as at 30 June 2015, and its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

**Other reports required by the Companies Act**

As part of our audit of the consolidated annual financial statements for the year ended 30 June 2015, we have read the Directors' Report, the Audit Committee's Report and Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the consolidated annual audited financial statements. These reports are the responsibility of the respective preparers.

Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports

Nexia SAB&T

**Nexia SAB&T**
**Director**
**Registered Auditors**
**Per director: T.J. de Kock**
**119 Witch Hazel Avenue, Highveld Technopark, Centurion, Pretoria**
**30 September 2015**

# Consolidated Statement of Financial Position as at 30 June 2015

| | Note(s) | 2015<br>R | 2014<br>R |
|---|---|---|---|
| **Assets** | | | |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 4 | 16 696 294 | 16 139 662 |
| Goodwill | 5 | 2 686 779 | 2 686 779 |
| Intangible assets | 6 | 849 170 | 1 241 942 |
| Deferred tax | 7 | 1 612 581 | 2 534 222 |
| | | **21 844 824** | **22 602 605** |
| **Current Assets** | | | |
| Inventories | 8 | 384 888 | 260 547 |
| Current tax receivable | | 33 126 | 33 126 |
| Trade and other receivables | 9 | 14 731 290 | 15 821 192 |
| Cash and cash equivalents | 10 | 7 180 029 | 7 115 824 |
| | | **22 329 333** | **23 230 689** |
| **Total Assets** | | **44 174 157** | **45 833 294** |
| **Equity and Liabilities** | | | |
| **Equity** | | | |
| Share capital | 11 | 48 059 | 48 059 |
| Retained income | | 32 279 057 | 32 046 891 |
| | | **32 327 116** | **32 094 950** |
| **Liabilities** | | | |
| **Non-Current Liabilities** | | | |
| Finance lease obligation | 12 | 585 775 | 1 120 222 |
| **Current Liabilities** | | | |
| Other financial liabilities | 13 | 3 600 000 | 4 600 000 |
| Finance lease obligation | 12 | 1 075 518 | 1 961 401 |
| Trade and other payables | 14 | 6 526 869 | 5 977 651 |
| Bank overdraft | 10 | 58 879 | 79 070 |
| | | **11 261 266** | **12 618 122** |
| **Total Liabilities** | | **11 847 041** | **13 738 344** |
| **Total Equity and Liabilities** | | **44 174 157** | **45 833 294** |

## Consolidated Statement of Comprehensive Income

| | Note(s) | 2015<br>R | 2014<br>R |
|---|---|---|---|
| Revenue | 15 | 98 115 619 | 103 439 415 |
| Cost of sales | | (68 845 119) | (77 325 970) |
| **Gross profit** | | **29 270 500** | **26 113 445** |
| Other income | | 1 780 131 | 1 040 687 |
| Operating expenses | | (27 532 236) | (23 172 680) |
| **Operating profit** | 16 | **3 518 395** | **3 981 452** |
| Investment revenue | 18 | 399 743 | 162 039 |
| Finance costs | 19 | (244 331) | (354 821) |
| **Profit before taxation** | | **3 673 807** | **3 788 670** |
| Taxation | 20 | (921 641) | (1 121 240) |
| **Profit for the year** | | **2 752 166** | **2 667 430** |
| Other comprehensive income | | - | - |
| **Total comprehensive income for the year** | | **2 752 166** | **2 667 430** |
| **Basic and diluted earnings per share** | | | |
| Basic earnings per share (cents per share) | | 6,55 | 6,35 |
| Diluted earnings per share (cents per share) | | 6,55 | 6,35 |

# Consolidated Statement of Changes in Equity

| | Share capital<br>R | Share premium<br>R | Total share capital<br>R | Retained income<br>R | Total equity<br>R |
|---|---|---|---|---|---|
| **Balance at 01 July 2013** | **4 200** | **43 859** | **48 059** | **30 639 461** | **30 687 520** |
| Profit for the year | - | - | - | 2 667 430 | 2 667 430 |
| Other comprehensive income | - | - | - | - | - |
| **Total comprehensive income for the year** | **-** | **-** | **-** | **2 667 430** | **2 667 430** |
| Dividends | - | - | - | (1 260 000) | (1 260 000) |
| **Total contributions by and distributions to owners of company recognised directly in equity** | **-** | **-** | **-** | **(1 260 000)** | **(1 260 000)** |
| **Balance at 01 July 2014** | **4 200** | **43 859** | **48 059** | **32 046 891** | **32 094 950** |
| Profit for the year | - | - | - | 2 752 166 | 2 752 166 |
| Other comprehensive income | - | - | - | - | - |
| **Total comprehensive income for the year** | **-** | **-** | **-** | **2 752 166** | **2 752 166** |
| Dividends | - | - | - | (2 520 000) | (2 520 000) |
| **Total contributions by and distributions to owners of company recognised directly in equity** | **-** | **-** | **-** | **(2 520 000)** | **(2 520 000)** |
| **Balance at 30 June 2015** | **4 200** | **43 859** | **48 059** | **32 279 057** | **32 327 116** |
| Note(s) | 11 | 11 | 11 | | |

# Consolidated Statement of Cash Flows

| | Note(s) | 2015 R | 2014 R |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipts from customers | | 98 394 917 | 105 309 203 |
| Cash paid to suppliers and employees | | (89 942 297) | (95 385 026) |
| Cash (used in) generated from operations | 21 | 8 452 620 | 9 924 177 |
| Finance costs | | (244 332) | (354 821) |
| **Net cash from operating activities** | | **8 208 288** | **9 569 356** |
| **Cash flows from investing activities** | | | |
| Additions to plant and equipment | 4 | (3 729 199) | (2 156 874) |
| Proceeds on disposal of plant and equipment | 4 | 212 551 | 259 752 |
| Additions to intangible assets | 6 | - | (644 355) |
| Investment revenue received | | 399 743 | 162 039 |
| **Net cash from investing activities** | | **(3 116 905)** | **(2 379 438)** |
| **Cash flows from financing activities** | | | |
| Repayment of other financial liabilities | | (1 000 000) | (2 410 123) |
| Repayment of finance leases and other financial liabilities | | (2 422 102) | (1 925 526) |
| Proceeds from Finance leases and other finacial liabilities | | 935 115 | 680 406 |
| Dividends paid | | (2 520 000) | (1 048 748) |
| **Net cash from financing activities** | | **(5 006 987)** | **(4 703 991)** |
| **Total cash movement for the period** | | **84 396** | **2 485 927** |
| Cash at the beginning of the period | | 7 036 754 | 4 550 827 |
| **Total cash at end of the period** | 10 | **7 121 150** | **7 036 754** |

# Accounting Policies

## 1. Presentation of Consolidated Annual Financial Statements

The financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS), the Companies Act of South Africa, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by Financial Reporting Standards Council and the Listing Requirements of the Johannesburg Stock Exchange (JSE).

**Basis of preparation**
The consolidated annual financial statements have been prepared on the historical cost basis. The accounting policies applied are consistent with the prior year. The financial statements are presented in South African Rand and have been rounded to the nearest R1.

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

## 1.1 Consolidation

**Basis of consolidation**

The consolidated financial statements incorporate the Company's financial statements and the entity controlled by the Company (its subsidiary). 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 of the subsidiary are included in the consolidated statement of comprehensive income.

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

## 1.2 Significant judgements and sources of estimation uncertainty

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

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

**Income tax**

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

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

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

**Inventories**

An allowance to write inventories down to the lower of cost or net realisable value, may be made by management. Management have applied estimates of the selling price and direct cost to sell on certain inventory items.

**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 sitll appropiate.

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

| Item | Useful life |
|---|---|
| Furniture and fixtures | 6 years |
| Motor vehicles | 5 years |
| Office equipment | 6 years |
| IT equipment | 3 - 4 years |
| Routers and handsets | 3 - 6 years |

**Intangible assets**

Intangible assets are reviewed annually on an individual basis to determine their useful life and residual value. Useful life is determined after taking into account the period of time from which the Group will earn revenue from the intangible asset. An intangible asset is regarded as having an 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. For all other intangible assets amortisation is provided on a straight line basis over their useful lives as follows:

| Item | Useful life |
|---|---|
| Computer software | 3 years |
| Customer bases | 5-6 years |
| Licences | Indefinite |

**Trade receivables**

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

# Accounting Policies

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

**Impairment of tangible and intangible assets**

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

The carrying value of the customer base at the reporting date was R Nil (2014: R185 625) after amortisation. Management re-assessed the useful life of these intangible assets at the commencement of the financial period and determined that these intangible asset will not be generating future economic benefits beyond the current financial period.

**Goodwill impairment**

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policies stated in Note 5 for Goodwill. The assumptions used in the impairment testing are set out in Note 5 of the financial statements. The recoverable amounts of the cash generating unit have been determined based on value in use calculations. These calculations require the use of estimates in relation to the projections of future cash flows, the projected growth rate, the terminal value of the business and the discount rate derived from the weighted average cost of capital specific to the group.

### 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.

**De-recognition**

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

**Impairment**

For the purposes of impairment testing, goodwill is allocated to each of the group’s cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill is allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other non-monetary assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

### 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 company; and
- The cost of the item can be measured reliably.

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

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

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

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

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

### 1.5 Intangible assets

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

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

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

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

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

### 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.

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

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

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

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

Where an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### 1.7 Financial instruments

#### General

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

Financial assets and financial liabilities are recognised on the company's Statement of Financial Position on the trade date, which is the date when the company becomes party to the contractual provisions of the instrument. Financial instruments, other than those held at fair value through profit and loss or other comprehensive income, are initially measured at fair value, net of transaction costs.

**1.7 Financial instruments (continued)**

**Financial assets**

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.
Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

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

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

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

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

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

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

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

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

# Accounting Policies

### 1.7 Financial instruments (continued)

**Financial liabilities**

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

Net gains or losses on the financial instruments at fair value through profit or loss exclude dividends and interest.

The Group de-recognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled, prescribe or expire.

**Equity instruments issued by the company**

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

### 1.8 Tax

**Current tax assets and liabilities**

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

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

**Deferred tax assets and liabilities**

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

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

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

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

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

### 1.8 Tax (continued)

**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. The Group's liability for current tax is calculated using tax rates applicable at the reporting date.

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

### 1.9 Leases

**Leases as lessee**

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

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

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

Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the company's general policy on borrowing costs.

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

### 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.

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 Value Added Tax.

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 amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

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:

**Post-paid/contract products**

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. The terms and conditions of bundled airtime products, may allow for the carryover of unused minutes. The revenue related to the unused airtime is deferred and recognised when utilised by the customer or on termination of the contract.

**Other revenue/ 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 Cost of sales

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

### 1.13 Borrowing costs

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

### 1.14 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.

### 1.15 Related parties

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

# Accounting Policies

### 1.16 Earnings per share

The Group presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Headline earnings per share (HEPS) is calculated using the weighted average number of ordinary shares in issue during the period and is based on the earnings attributable to ordinary shareholders, after excluding those items as required by Circular 2/2013 issued by the South African Institute of Chartered Accountants (SAICA).

### 1.17 Offsetting

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

### 1.18 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.

### 1.19 Fair value measurement and hierarchy

No assets or liabilities are carried at fair value at the reporting date.

A number of assets and liabilities included in the Group’s financial statements require measurement at, and/or disclosure of fair value.

The fair value measurement of the Group’s financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the ‘fair value hierarchy’):

Level 1: Quoted prices in active markets for identical items (unadjusted);
Level 2: Observable direct or indirect inputs other than Level 1 inputs; and
Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

### 1.20 Share capital and equity

Ordinary shares are classified as equity.

### 1.21 Statement of cash flow

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

# Notes to the Consolidated Annual Financial Statements

| | 2015 R | 2014 R |
|---|---|---|

## 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.

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.

All revenues from external customers originate in South Africa.

A breakdown of the Groups revenues from external customers is set out in note 15.

### 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 |
|---|---|---|
| IFRS 9 Financial Instruments | Annual Improvements 2010–2012 Cycle: Amendments to the measurement requirements for all contingent consideration assets and liabilities included under IFRS 9. | 1 July 2014 |
| IFRS 13 Fair Value Measurement | - Annual Improvements 2010-2012 Cycle: Amendments to clarify the measurement requirements for those short-term receivables and payables<br>- Annual Improvements 2011–2013 Cycle: Amendments to clarify that the portfolio exception applies to all contracts within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9. | 1 July 2014 |
| IAS 16 Property, Plant and Equipment | Annual Improvements 2010-2012 Cycle: Amendments to the Revaluation method – proportionate restatement of accumulated depreciation. | 1 July 2014 |
| IAS 19 Employee Benefits | Amendments to Defined Benefit Plans: Employee Contributions whereby the requirements in IAS 19 for contributions from employees or third parties that are linked to service have been amended. | 1 July 2014 |
| IAS 24 Related Party Disclosures | Annual Improvements 2010-2012 Cycle: Amendments to the definitions and disclosure requirements for key management personnel. | 1 July 2014 |
| IAS 38 Intangible Assets | Annual Improvements 2010-2012 Cycle: Amendments to the Revaluation method – proportionate restatement of accumulated depreciation. | 1 July 2014 |

#### 3.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company’s accounting periods beginning on or after 01 July 2015 or later periods.

The expected impact pertaining to the following standards and interpretations will be assessed in detail by the company in future periods when these standards and interpretations become effective, however there should not be a significant effect on the Group's financial results based on managements initial high level assessment:

| Standards | Details of amendment | Annual periods beginning on or after |
|---|---|---|
| IFRS 7 Financial Instruments: Disclosures | - Annual Improvements 2012-2014 Cycle: Amendment clarifying under what circumstances an entity will have continuing involvement in a transferred financial asset as a result of servicing contracts. | 1 January 2016 |
| | - Annual Improvements 2012-2014 Cycle: Amendment clarifying the applicability of previous amendments to IFRS 7 issued in December 2011 with regard to offsetting financial assets and financial liabilities in relation to interim financial statements prepared under IAS 34. | 1 January 2016 |

**3. New Standards and Interpretations (continued)**

| Standard | Details | Effective date |
| --- | --- | --- |
| IFRS 9 Financial Instruments | - A finalised version of IFRS 9 has been issued which replaces IAS 39 Financial Instruments: Recognition and Measurement. The completed standard comprises guidance on Classification and Measurement, Impairment Hedge Accounting and Derecognition. | 1 January 2018 |
| IFRS 10 Consolidated Financial Statements | - Investment Entities: Applying the Consolidation Exception: Narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards.<br>- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28): Narrow scope amendment address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. | 1 January 2016 |
| IFRS 12 Disclosure of Interests in Other Entities | Investment Entities: Applying the Consolidation Exception: Narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards. | 1 January 2016 |
| IFRS 15 Revenue from Contracts from Customers | - New standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five step methodology that is required to be applied to all contracts with customers.<br>- The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. | 1 January 2017 |
| IAS 1, Presentation of Financial Statements | Disclosure Initiative: Amendments designed to encourage entities to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that entities should use professional judgement in determining where and in what order information is presented in the financial disclosures. | 1 January 2016 |

**3. New Standards and Interpretations (continued)**

| Standard | Amendment | Effective date |
|---|---|---|
| IAS 16 Property, Plant and Equipment | - Annual Improvements 2010-2012 Cycle: Amendments to the Revaluation method – proportionate restatement of accumulated depreciation.<br>- Amendments to IAS 16 and IAS 38 to clarify the basis for the calculation of depreciation and amortisation, as being the expected pattern of consumption of the future economic benefits of an asset.<br>- Amendment to both IAS 16 and IAS 38 establishing the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. Clarifying that revenue is generally presumed to be an inappropriate basis for measuring the consumption of economic benefits in such assets.<br>- Amendments to IAS 16 and IAS 41 which defines bearer plants and includes bearer plants in the scope of IAS 16 Property, plant and Equipment, rather than IAS 41 allowing such assets to be accounted for after initial recognition in accordance with IAS 16. | 1 January 2016 |
| IAS 19 Employee Benefits | Annual Improvements 2012-2014 Cycle: Clarification of the requirements of to determine the discount rate in a regional market sharing the same currency (for example, the Eurozone). | 1 January 2016 |
| IAS 27 Consolidated and Separate Financial Statements | Amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. | 1 January 2016 |
| IAS 34 Interim Financial Reporting | Annual Improvements 2012-2014 Cycle: Clarification of the meaning of disclosure of information 'elsewhere in the interim financial report'. | 1 January 2016 |
| IAS 38 Intangible Assets | - Amendments to IAS 16 and IAS 38 to clarify the basis for the calculation of depreciation and amortisation, as being the expected pattern of consumption of the future economic benefits of an asset. | 1 January 2016 |
| | - Amendment to both IAS 16 and IAS 38 establishing the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. Clarifying that revenue is generally presumed to be an inappropriate basis for measuring the consumption of economic benefits in such assets. | 1 January 2016 |

**4. Property, plant and equipment**

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated depreciation | Carrying value | Cost | Accumulated depreciation | Carrying value |
| Furniture and fixtures | 636 482 | (361 227) | 275 255 | 633 150 | (276 166) | 356 984 |
| Motor vehicles | 1 520 728 | (704 914) | 815 814 | 1 504 697 | (538 475) | 966 222 |
| Office equipment | 225 396 | (139 229) | 86 167 | 221 277 | (115 895) | 105 382 |
| IT equipment | 1 228 230 | (658 251) | 569 979 | 869 670 | (538 140) | 331 530 |
| Routers and handsets | 38 826 066 | (23 876 987) | 14 949 079 | 35 685 490 | (21 305 946) | 14 379 544 |
| **Total** | **42 436 902** | **(25 740 608)** | **16 696 294** | **38 914 284** | **(22 774 622)** | **16 139 662** |

**Reconciliation of property, plant and equipment - 2015**

| | Opening balance | Additions | Disposals | Depreciation | Total |
|---|---|---|---|---|---|
| Furniture and fixtures | 356 984 | 3 332 | - | (85 061) | 275 255 |
| Motor vehicles | 966 222 | 189 412 | (173 382) | (166 438) | 815 814 |
| Office equipment | 105 382 | 4 119 | - | (23 334) | 86 167 |
| IT equipment | 331 530 | 358 560 | - | (120 111) | 569 979 |
| Routers and handsets | 14 379 544 | 3 173 776 | (33 200) | (2 776 519) | 14 743 601 |
| | **16 139 662** | **3 729 199** | **(206 582)** | **(3 171 463)** | **16 490 816** |

**Reconciliation of property, plant and equipment - 2014**

| | Opening balance | Additions | Disposals | Depreciation | Total |
|---|---|---|---|---|---|
| Furniture and fixtures | 422 208 | 17 128 | - | (82 352) | 356 984 |
| Motor vehicles | 851 468 | 426 578 | (241 500) | (70 324) | 966 222 |
| Office equipment | 127 560 | 6 579 | - | (28 757) | 105 382 |
| IT equipment | 264 993 | 137 252 | (9 535) | (61 180) | 331 530 |
| Routers and handsets | 15 405 142 | 1 569 337 | - | (2 594 935) | 14 379 544 |
| | **17 071 371** | **2 156 874** | **(251 035)** | **(2 837 548)** | **16 139 662** |

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

| | | |
|---|---|---|
| Motor vehicles | 815 814 | 966 222 |
| Routers and handsets | 1 006 249 | 2 115 401 |
| Total | 1 822 063 | 3 081 623 |

These items are pledged as security in terms of finance lease liabilities as set out in note 12.

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

**5. Goodwill**

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated impairment | Carrying value | Cost | Accumulated impairment | Carrying value |
| Goodwill | 2 686 779 | - | 2 686 779 | 2 686 779 | - | 2 686 779 |

### 5. Goodwill (continued)

**Assessment of recoverable amounts**

During the financial year, the Group assessed the recoverable amount of goodwill for indications of impairment. The assessment determined that the goodwill allocated to the cash generating unit, was not impaired. The accounting policy that has been applied in assessing impairment of goodwill is set out in notes 5 and 6 of the Accounting Policies relating to Goodwill. No impairment was recognised.

The key assumptions of the cash flow forecast used to determine the present value of the future cash flows from the cash generating unit, 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)** | **2015** | **2014** |
|---|---|---|
| Discount rate | 9.50 | 8.00 |
| Growth rate | 8.00 | 10.00 |

A discounted cash flow method 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 Group and specific risks related to the cash generating unit was used in discounting the projected cash flows over a 5-year period.

**Sensitivity**

The value of a 1% change in the discount rate applied to the discounted cash flow will result in a movement of R3 856 133. The value of a 1% change in the growth rate applied to the discounted cash flow will result in a movement of R 291 916. Management considers the 1% change a reasonable sensitivity rate analysis based on past experience.

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 historic information provided.

### 6. Intangible assets

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated amortisation | Carrying value | Cost | Accumulated amortisation | Carrying value |
| Computer software | 1 876 559 | (1 327 389) | 549 170 | 1 876 559 | (1 120 242) | 756 317 |
| Customer bases | 5 170 500 | (5 170 500) | - | 5 170 500 | (4 984 875) | 185 625 |
| Licences - Indefinite life | 300 000 | - | 300 000 | 300 000 | - | 300 000 |
| **Total** | **7 347 059** | **(6 497 889)** | **849 170** | **7 347 059** | **(6 105 117)** | **1 241 942** |

**Reconciliation of intangible assets - 2015**

| | Opening balance | Amortisation | Total |
|---|---|---|---|
| Computer software | 756 317 | (207 147) | 549 170 |
| Customer bases | 185 625 | (185 625) | - |
| Licences - Indefinite life | 300 000 | - | 300 000 |
| | **1 241 942** | **(392 772)** | **849 170** |

# Notes to the Consolidated Annual Financial Statements

## 6. Intangible assets (continued)

**Reconciliation of intangible assets - 2014**

| | Opening balance | Additions | Amortisation | Total |
|---|---|---|---|---|
| Computer software | 411 637 | 644 355 | (299 675) | 756 317 |
| Customer bases | 371 251 | - | (185 626) | 185 625 |
| Licences - Indefinite life | 300 000 | - | - | 300 000 |
| | **1 082 888** | **644 355** | **(485 301)** | **1 241 942** |

**Assessment of Indefinite life**

Communications Network Services (ECNS) licences acquired from external parties. The customer based contracts are for the provision of telephony services on terms similar to those provided by the group. They have no further expected remaining amortisation periods. Licences acquired from external parties are considered to be indefinite as they do not have expiry dates. The indefinite useful lives of these licenses are tested annually. No change in circumstances occurred during the year to indicate a change in the determination of the indefinite useful lives of licenses.

The indefinite life intangible assets were part of the acquisition of Skycall Networks (Pty) Ltd, a 100% subsidiary. They are integral to the cash generating unit and the assumptions used in determination of the recoverable amount, are identical to those disclosed in note 5.

## 7. Deferred tax

**Deferred tax asset**

| | | |
|---|---|---|
| Allowance for doubtful debt | 225 633 | 233 841 |
| Staff bonus provision | 83 444 | - |
| Lease smoothing | 14 841 | - |
| Prepayments | (36 679) | (38 954) |
| Accrual for leave pay | 230 442 | 174 460 |
| Tax losses available for set off against future taxable income | 1 178 900 | 2 248 875 |
| Licences | (84 000) | (84 000) |
| | **1 612 581** | **2 534 222** |

**Reconciliation of deferred tax asset (liability)**

| | | |
|---|---|---|
| At beginning of the year | 2 618 224 | 3 655 462 |
| (Utilisation) of temporary difference on Assessed losses | (1 069 975) | (1 862 127) |
| (Originating) Reversing temporary difference on billing cut off | - | 428 058 |
| Temporary difference on lease smoothing | 14 841 | - |
| Originating temporary difference on accrual for leave pay | 55 981 | 40 055 |
| Temporary difference - Licences | (84 000) | - |
| Originating (Reversing) temporary difference on the allowance for doubtful debt | (8 209) | 76 341 |
| Originating (Reversing) temporary difference on prepayments - Airtime | 2 274 | 196 433 |
| Other differences | 83 445 | - |
| | **1 612 581** | **2 534 222** |

**Recognition of deferred tax asset**

The deferred tax asset raised on assessed tax losses from previous periods and the current year, will be utilised in future through taxable profits. The present value of the Groups future profitability remains positive. All other deferred tax assets will realise against the reversal of remaining deductible temporary differences.

## 8. Inventories

| | | |
|---|---|---|
| Finished goods - airtime and related products | 384 888 | 260 547 |

### 8. Inventories (continued)

| | | |
|---|---|---|
| | 384 888 | 260 547 |
| | **384 888** | **260 547** |

No write- down of inventory occured during the current financial period.

### 9. Trade and other receivables

| | | |
|---|---|---|
| Trade receivables | 9 594 089 | 10 123 129 |
| Allowance for doubtful debt | (1 074 443) | (1 113 534) |
| Prepayments | 130 995 | 139 121 |
| Value Added Tax Receivable | 1 169 055 | 2 950 907 |
| Accruals | 4 372 148 | 3 222 794 |
| Other receivables | 162 520 | 141 849 |
| Deposits | 376 926 | 356 926 |
| | **14 731 290** | **15 821 192** |

The carrying value of trade and other receivables equals their fair value due to the short term nature of these receivables. The average credit period for trade receivables is 36 days (2014: 33 days). No interest is charged on trade and other receivables.

**Trade and other receivables past due but not impaired**

As at 30 June 2015, the following gross debtors receivable were past due. Certain of these debtors have been impaired, through the provision for doubtful debt as disclosed below, however management is certain these receivables are recoverable:

| | | |
|---|---|---|
| 1 month past due | 1 066 864 | 2 358 247 |
| 2 months past due | 172 742 | 86 352 |
| 3 months past due | 7 215 376 | 7 678 530 |

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

**Reconciliation of provision for doubtful debt allowance**

| | | |
|---|---|---|
| Opening balance | 1 113 534 | 750 000 |
| Provision for impairment | 501 371 | 972 406 |
| Amounts written off as uncollectable | (540 462) | (608 872) |
| | **1 074 443** | **1 113 534** |

### 10. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---|---|---|
| Cash on hand | 5 344 | 9 222 |
| Bank balances | 6 794 789 | 6 743 303 |
| Short-term deposits | 379 896 | 363 299 |
| Bank overdraft | (58 879) | (79 070) |
| | **7 121 150** | **7 036 754** |

| | | |
|---|---|---|
| Current assets | 7 180 029 | 7 115 824 |
| Current liabilities | (58 879) | (79 070) |
| | **7 121 150** | **7 036 754** |

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

# Notes to the Consolidated Annual Financial Statements

## 11. Share capital

| | | |
|---|---|---|
| **Authorised** | | |
| 500 000 000 Ordinary shares of R0.0001 | 50 000 | 50 000 |

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

| | | |
|---|---|---|
| **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 issued** | | |
| At the beginning of the year | 42 000 000 | 42 000 000 |

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

## 12. Finance lease obligation

| | | |
|---|---|---|
| **Minimum lease payments due** | | |
| - within one year | 1 144 553 | 2 128 120 |
| - in second to fifth year inclusive | 677 509 | 1 215 441 |
| | 1 822 062 | 3 343 561 |
| less: future finance charges | (160 769) | (261 938) |
| **Present value of minimum lease payments** | **1 661 293** | **3 081 623** |

| | | |
|---|---|---|
| **Present value of minimum lease payments due** | | |
| - within one year | 1 075 518 | 1 961 401 |
| - in second to fifth year inclusive | 585 775 | 1 120 222 |
| | **1 661 293** | **3 081 623** |

| | | |
|---|---|---|
| Non-current liabilities | 585 775 | 1 120 222 |
| Current liabilities | 1 075 518 | 1 961 401 |
| | **1 661 293** | **3 081 623** |

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

The average finance lease agreement term is 3 – 5 years and the average effective borrowing rate is 8.0% to 9.5% (2014: 8.0% to 8.25%). 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. Refer to note 4 above.

The finance lease liabilities fair value was determine utilising non-market related information categorised as a Level 3 fair value measurement.

## 13. Other financial liabilities

| | | |
|---|---|---|
| **Held at amortised cost** | | |
| Maison D' Obsession Trust | 3 600 000 | 4 600 000 |

The above loans are all unsecured, interest free and have no fixed repayment terms.

The carrying value of other financial liabilities equal their fair value mainly due to the short term nature of these liabilities.

| | | |
|---|---|---|
| **Current liabilities** | | |
| At amortised cost | 3 600 000 | 4 600 000 |

## 14. Trade and other payables

| | | |
|---|---|---|
| Trade payables | 1 646 608 | 1 497 283 |
| Shareholders for dividends | 445 780 | 444 250 |
| Operating lease liability | 53 004 | - |
| Accrued leave pay | 823 006 | 661 541 |
| Deposits received | 449 581 | 434 581 |
| Accrual and other payables | 3 108 890 | 2 939 996 |
| | **6 526 869** | **5 977 651** |

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.

## 15. Revenue

| | | |
|---|---|---|
| Sale of fixed cellular airtime | 79 419 148 | 67 643 921 |
| Sale of fixed line airtime | 17 104 318 | 31 724 366 |
| Other | 1 592 153 | 4 071 120 |
| | **98 115 619** | **103 439 407** |

| | | |
|---|---|---|
| **Major customers** | | |
| **Revenue from transactions with a single external customer amounting to 10% or more of the group's revenue is disclosed below:** | | |
| Customer A * | - | - |
| Other | 98 115 619 | 103 439 407 |
| | **98 115 619** | **103 439 407** |

* Trading with Customer A ceased during the prior financial year. The group is currently involved with litigation against Customer A, in regard to arrears amounts receivable. These amounts receivable are however secured through cession of listed shares in Customer A.

# Notes to the Consolidated Annual Financial Statements

## 16. Operating profit

Operating profit for the year is stated after accounting for the following:

| | | |
|---|---|---|
| **Operating lease charges** | | |
| Premises | | |
| • Contractual amounts | 1 386 395 | 1 378 895 |
| Equipment | | |
| • Contractual amounts | 290 401 | - |
| | **1 676 796** | **1 378 895** |

| | | |
|---|---|---|
| (Profit) on sale of property, plant and equipment | (5 969) | (8 717) |
| Amortisation on intangible assets | 392 810 | 485 301 |
| Depreciation on property, plant and equipment | 3 171 463 | 2 837 545 |
| Employee costs | 15 760 645 | 11 414 146 |

## 17. Auditors' remuneration

| | | |
|---|---|---|
| Fees | 500 000 | 437 538 |

## 18. Investment revenue

| | | |
|---|---|---|
| **Interest revenue** | | |
| Staff loans | 29 | - |
| Bank - Local | 399 714 | 162 039 |
| | **399 743** | **162 039** |

## 19. Finance costs

| | | |
|---|---|---|
| Finance lease liability | 242 945 | 294 999 |
| Bank | 214 | 44 341 |
| Trade payables | 1 172 | 15 481 |
| | **244 331** | **354 821** |

## 20. Taxation

**Major components of the tax expense**

| | | |
|---|---|---|
| **Deferred** | | |
| Deferred tax relating to the origination and reversal of temporary differences | 921 641 | 1 121 240 |

**Reconciliation of the tax expense**

Reconciliation between accounting profit and tax expense.

| | | |
|---|---|---|
| Accounting profit | 3 673 807 | 3 788 670 |
| Tax at the applicable tax rate of 28%% (2014: 28%) | 1 028 666 | 1 060 828 |
| **Tax effect of adjustments on taxable income** | | |
| Non deductible expenditure | 43 189 | 60 412 |
| Non-taxable income | (150 214) | - |
| | **921 641** | **1 121 240** |

The promulgated effective tax rate is 28% (2014: 28%).

# Notes to the Consolidated Annual Financial Statements

## 21. Cash (used in) generated from operations

| | | |
|---|---|---|
| Profit before taxation | 3 673 807 | 3 788 670 |
| **Adjustments for:** | | |
| Depreciation and amortisation | 3 425 479 | 3 322 849 |
| Profit on sale of assets | (5 969) | (8 717) |
| Interest received | (399 743) | (162 039) |
| Finance costs | 244 331 | 354 821 |
| Investment revenue | (65) | - |
| **Changes in working capital:** | | |
| Inventories | (124 341) | 1 973 224 |
| Trade and other receivables | 1 089 899 | 1 869 788 |
| Trade and other payables | 549 222 | (1 214 419) |
| | **8 452 620** | **9 924 177** |

## 22. Directors' emoluments

### Executive

**2015**

| | Basic salary | Company contributions and benefits | Total |
|---|---|---|---|
| Brandon Rodney Topham - Executive | 189 000 | 1 890 | 190 890 |
| Mario Bronn Pretorius - Executive | 1 200 000 | 72 506 | 1 272 506 |
| | **1 389 000** | **74 396** | **1 463 396** |

**2014**

| | Basic salary | Company contributions and benefits | Total |
|---|---|---|---|
| Brandon Rodney Topham - Executive | 160 250 | 1 603 | 161 853 |
| Mario Bronn Pretorius - Executive | 1 200 000 | 63 444 | 1 263 444 |
| | **1 360 250** | **65 047** | **1 425 297** |

### Non-executive

**2015**

| | Directors' fees | Company contributions and benefits | Total |
|---|---|---|---|
| Daniel Stephen Van Der Merwe - Independent Non Executive | 252 000 | 12 145 | 264 145 |
| Jaco Voigt - Non Executive | 189 000 | 1 890 | 190 890 |
| Marthinus Erasmus - Non Executive | 173 250 | 632 | 173 882 |
| Vernon Beck (Resigned 30 June 2014) | 15 750 | 158 | 15 908 |
| | **630 000** | **14 825** | **644 825** |

### 22. Directors' emoluments (continued)

**2014**

| | Directors' fees | Company contributions and benefits | Total |
|---|---|---|---|
| Daniel Stephen Van Der Merwe - Independent Non Executive | 213 667 | 2 137 | 215 804 |
| Jaco Voigt - Non Executive | 160 250 | 1 603 | 161 853 |
| Vernon Beck (Resigned 30 June 2014) | 160 250 | 1 603 | 161 853 |
| | **534 167** | **5 343** | **539 510** |

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

### 23. Earnings per share

| | **Period ended 30 June 2015** | **Period ended 30 June 2014** |
|---|---|---|
| Earnings per share (cents) | 6,55 | 6,35 |
| Diluted earnings per share (cents) | 6,55 | 6,35 |
| Headline earnings per share (cents) | 6,54 | 6,33 |
| Net asset value per share (cents) | 76,97 | 76,30 |
| Net tangible asset value per share (cents) | 68,44 | 66,95 |

| **The EPS and HEPS were determined using the following information:** | **R** | **R** |
|---|---|---|
| **Earnings used in the calculation of basic and diluted earnings per share** | | |
| Profit attributable to shareholders of the company | 2 752 166 | 2 667 430 |
| **Reconciliation between earnings per share and headline earnings per share** | | |
| Profit attributable to shareholders of the company | 2 752 166 | 2 667 430 |
| Adjusted for: | | |
| (Gain)/Loss on the disposal of plant and equipment net of tax | (5 969) | (8 717) |
| | **2 746 197** | **2 658 713** |

| **Weighted number of ordinary shares outstanding:** | **Number of shares issued** | **Weighted average number of shares** |
|---|---|---|
| Shares as at 30 June 2015 | 42 000 000 | 42 000 000 |
| Shares as at 30 June 2014 | 42 000 000 | 42 000 000 |
| | **84 000 000** | **84 000 000** |

### 24. Dividend per share

| **Heading** | **Period ended 30 June 2015 R** | **Period ended 30 June 2014 R** |
|---|---|---|
| Dividends declared from retained earnings | 2 520 000 | 1 260 000 |
| Total dividends declared | 2 520 000 | 1 260 000 |
| Shares in issue | 42 000 000 | 42 000 000 |
| Dividends per share (DPS - cents) | 6,00 | 3,00 |

## Notes to the Consolidated Annual Financial Statements

### 25. Related parties

| Relationships | |
|---|---|
| Subsidiaries | SkyCall Networks (Pty) Ltd |
| Members of key management | BR Topham |
| | MB Pretorius |
| Non-executive directors | MG Erasmus |
| | J Voigt |
| | DS Van Der Merwe |
| Entity in which a member of key management and non-executive directors have beneficial interest | |
| BR Topham | Brandon Topham Inc |
| | SEESA (Pty) Ltd |
| | BRAT Trust |
| | TAG Business Advisors (Pty) Ltd |
| MB Pretorius | Snowy Owl Properties 82 ( Pty) Ltd |
| | Maison D' Obsession Trust |
| | Telemasters (Pty) Ltd |
| MG Erasmus | Arbor Capital Corporate Finance (Pty) Ltd |
| J Voigt | Perfect Worx Consulting (Pty) Ltd |
| | Contineo Virtual Communications (Pty) Ltd |

**Related party balances**

| | | |
|---|---|---|
| **Loan accounts - Owing (to) by related parties** | | |
| Maison D' Obsession Trust | (3 600 000) | (4 600 000) |
| **Amounts included in Trade Payable regarding related parties** | | |
| SEESA (Pty) Ltd | 3 979 | 2 759 |
| TAG Business Advisors (Pty) Ltd | 36 822 | 38 250 |
| **Amounts included in Trade receivable regarding related parties** | | |
| Telemasters (Pty) Ltd | 808 104 | 771 955 |
| TAG Business Advisors (Pty) Ltd | - | 170 |
| Snowy Owl Properties 82 ( Pty) Ltd | 130 995 | 130 995 |

**Related party transactions**

| | | |
|---|---|---|
| **Purchases from related parties** | | |
| Perfectworx Consulting (Pty) Ltd | 1 800 | 2 438 064 |
| Contineo Virtual Communications (Pty) Ltd | 70 543 | 2 577 908 |
| Telemasters (Pty) Ltd | 842 149 | - |
| **Rent paid to (received from) related parties** | | |
| Snowy Owl Properties 82 (Pty) Ltd | 1 378 895 | 1 378 895 |
| **Consulting fees paid to related parties** | | |
| Brandon Topham Inc | - | 284 400 |
| SEESA (Pty) Ltd | 108 342 | 103 666 |
| TAG Business Advisors (Pty) Ltd | 375 369 | - |
| BRAT Trust | 2 100 | - |
| Arbor Capital Corporate Finance (Pty) Ltd | 250 800 | - |
| **Compensation to directors and other key management** | | |
| Short-term employee benefits | 920 846 | 921 462 |

### 26. Risk management

**Financial instrument risk exposure and management**

**26. Risk management (continued)**

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

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

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

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

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

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

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

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

Procedures for avoiding excessive concentration of risk include:

- Maintaining a wide customer base;
- Continually looking for opportunities to expand the customer base;
- Reviewing current developments in technology in order to identify any product line which may increase margins in the future;
- Subjecting all customers are to a credit verification procedure before agreements are entered into;
- Reviewing the trade debtors' age analysis weekly with the intention of minimising the group's exposure to bad debts;
- Maintaining cash balances and agreed facilities with reputable financial institutions;
- Effecting necessary price increases as and when required; and
- Reviewing the group's bank accounts daily and transferring excess funds from the main current account to other facilities in order to increase the interest earnings to the group.

### 26. 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. Furthermore, security has been provided for Finance lease liabilities, which is disclosed in note 12 above.

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

| **Contractual maturity analysis - 30 June 2015** | **Payable within one year or on demand** | **Payable within 2 to 5 years** |
|---|---|---|
| Trade and other payables | 6 562 872 | - |
| Bank overdraft | 58 879 | - |
| Finance lease liabilities | 1 075 518 | 585 775 |
| Other financial liabilities | 3 600 000 | - |

| **Contractual maturity analysis - 30 June 2014** | **Payable within one year or on demand** | **Payable within 2 to 5 years** |
|---|---|---|
| Trade and other payables | 5 977 650 | - |
| Bank overdraft | 79 070 | - |
| Finance lease liabilities | 1 961 401 | 1 120 222 |
| Other financial liabilities | 4 600 000 | - |

**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 company'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 company'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 over the receivable balance of Huge Group Ltd, in the form of security over the shares of Huge Group Ltd. Trade receivables that are neither past due nor impaired are considered to be of high credit quality accompanied by an insignificant default rate.

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

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.

**26. Risk management (continued)**

| Reconciliation of provision for impairment of trade and other receivables | 2015 | 2014 |
|---|---|---|
| Balance brought forward | 1 113 534 | 750 000 |
| Provision for impairment | 501 371 | 972 406 |
| Amounts written off as uncollectable | 540 462 | (608 872) |
| | 1 074 443 | 1 113 534 |

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

**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 company'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 company is not subject to any external capital requirements.

**Market risk**

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

Interest rates on finance lease liabilities are linked to the overdraft rate. The prime rate as at year end was 9.5% (2014: 9.25%). The interest rates on finance lease liabilities vary from 8.0% to 9.5% (2014: 8.0% to 9.0%).

The company also holds cash and cash equivalents, which earn interest at variable rates. Consequently, the company is exposed to cash flow interest rate risk. Cash and cash equivalents comprise cash in hand and bank balances.
Excess funds are deposited with reputable financial institutions on a rate quotation basis. This ensures that the company earns the most advantageous rates of interest available.

The company 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 2015, for each class of financial instrument with all other variables remaining constant. The calculations were determined with reference to the outstanding financial liability and financial asset balances for the year. This represents no change from the prior period in the method and assumptions used. This analysis is for illustrative purposes only and represents management's best estimate.

| | Impact on post tax profit in Rand | |
|---|---|---|
| **After tax effect on profit or loss of a 1% change (increase or decrease) in the South African lending rate** | **30 June 2015** | **30 June 2014** |
| Cash and cash equivalents | 71 800 | 71 158 |
| Bank overdraft | 588 | 971 |
| Variable rate finance lease liabilities | 16 612 | 30 816 |

# Notes to the Consolidated Annual Financial Statements

## 27. Financial assets by category

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

**2015**

| | Loans and receivables held at amortised cost | Total |
|---|---|---|
| Deposits | 376 926 | 376 926 |
| Cash and cash equivalents | 7 174 685 | 7 174 685 |
| Value added taxation | 1 169 055 | 1 169 055 |
| Trade and other receivables | 13 054 314 | 13 054 314 |
| | **21 774 980** | **21 774 980** |

**2014**

| | Loans and receivables held at amortised cost | Total |
|---|---|---|
| Deposits | 356 926 | 356 926 |
| Cash and cash equivalents | 7 106 602 | 7 106 602 |
| Value added taxation | 2 950 907 | 2 950 907 |
| Trade and other receivables | 12 374 238 | 12 374 238 |
| | **22 788 673** | **22 788 673** |

## 28. Financial liabilities by category

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

**2015**

| | Financial liabilities at amortised cost | Total |
|---|---|---|
| Deposits received | 449 581 | 449 581 |
| Leave payable | 823 006 | 823 006 |
| Finance lease obligations | 1 661 293 | 1 661 293 |
| Trade and other payables | 5 254 282 | 5 254 282 |
| Bank overdraft | 58 879 | 58 879 |
| Other financial liabilities | 3 600 000 | 3 600 000 |
| | **11 847 041** | **11 847 041** |

### 28. Financial liabilities by category (continued)

**2014**

| | Financial liabilities at amortised cost | Total |
|---|---|---|
| Deposits received | 434 581 | 434 581 |
| Leave payable | 661 541 | 661 541 |
| Finance lease obligations | 3 081 623 | 3 081 623 |
| Trade and other payables | 4 881 529 | 4 881 529 |
| Bank overdraft | 79 070 | 79 070 |
| Other financial liabilities | 4 600 000 | 4 600 000 |
| | **13 738 344** | **13 738 344** |

### 29. Commitments for expenditure

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

| | Year ended 30 June 2015 R | Year ended 30 June 2014 R |
|---|---|---|
| Minimum operating lease payments under non cancelable leases due | | |
| - Within one year | 960 047 | 960 047 |
| - Within two to five years | - | - |

No commitments for capital expenditure to acquire property, plant and equipment or intangible assets have been identified.

### 30. Subsequent events

Other than those points mentioned in paragraph 3 of the Director’s report above, the directors are unaware of any other significant events that have occurred between the end of the financial year and the date of this report that may materially affect the company’s results for the period under review or its financial position as at 30 June 2015.

### 31. 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.

### 32. Major shareholders

| **Shareholders holding more than 5% - at 30 June 2015** | **% Holdings** | **No. of shareholders** | **No. of shares** |
|---|---|---|---|
| Shareholder: | | | |
| Maison D'Obsession Trust - CEO Beneficial interest | 85% | 1 | 35 700 000 |
| Directors | 1.8% | 2 | 781 937 |
| Public and staff with no restrictions on dealings | 13.2% | 210 | 5 518 063 |
| | **100** | **213** | **42 000 000** |

**32. Major shareholders (continued)**

| **Shareholders holding more than 5% - at 30 June 2014** | **% Holdings** | **No. of shareholders** | **No. of shares** |
|---|---|---|---|
| Shareholder: | | | |
| Maison D'Obsession Trust - CEO Beneficial interest | 85% | 1 | 35 700 000 |
| Directors | 1.8% | 2 | 780 937 |
| Public and staff with no restrictions on dealings | 13.2% | 210 | 5 519 063 |
| | **100** | **213** | **42 000 000** |

**33. Investment in subsidiary**

| **Name of company** | **Place of operation** | **% holding 2015** | **% holding 2014** |
|---|---|---|---|
| SkyCall Networks (Pty) Ltd | South Africa | 100,00 % | 100,00 % |

The total comprehensive income of the subsidiary during the financial year ended 30 June 2015 amounted to R 2,881,152 (2014: R 1 446 319). No restrictions on the ability to access or use the assets or liabilities of the subsidiary exist.

**34. Contingencies**

The company is currently involved in the following preceedings:

Litigation with a previous client pertaining to outstanding receivables to the value of R4.1 million, however these receivables are adequately secured through cession of shares held against the debt owed to the group. The previous client has lodged a counter claim against the Company for a similar amount as the claim the Company has against them. The matter has been referred for arbitration which should commence in the near future.

The Company is currently involved in litigation with a previous supplier relating to disputes over billed expenditure from the suppler to the value of R1.6 million. The matter is still ongoing at the date of this report.

The estimated legal fees to continue pursuing these legal matters are approximately R600 000.