



TELE
Masters
Integrated Report
2016



Members of the Board: TeleMasters Holdings Limited

Directors:

- Stephen van der Merwe (Non-executive Chairman)
- Mario Pretorius CEO
- Brandon Topham CFO
- Jaco Voigt (Non-executive Director)
- Marthinus Erasmus (Non-executive Director)

TeleMasters Holdings Limited is celebrating 20 years in the telecommunications services industry. We listed on 12 March 2007 on the Johannesburg Stock Exchange Limited via private placement of shares at 50c each. There are 42 million shares in issue.

TeleMasters delivers full telecommunication connectivity voice services across South Africa to SMEs and enterprise clients. We acquired full ICASA ECS and ECNS telecommunication licenses and carry all call types to all destinations.

We also offer an internationally acclaimed hosted PBX solution that replaces on-site legacy PBX equipment. Our services also encompass a partnership with specialist utility auditors Expectra, which audit telecommunication misuse and inefficiencies.

Our communication income is 100% annuity based. We prize cash generation above all other measures of financial success. With healthy cash generation we are in a good position to pay substantial dividends - and so far the only company on the JSE to pay this quarterly, and without fail.

Our focus has, and will remain on quality - in our service and support to clients we aim to provide tangibly better services to market, and increase the services that add value to the user. We are supported by a channel of sales partners throughout South Africa with Sales Managers and Business Development Managers.

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

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



Adriaan van der Merwe



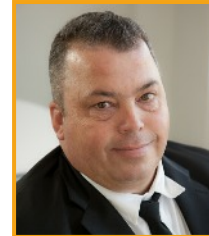
Ana-Bela Barbosa



Ash Govender



Barry Venter



Bokkie Matthews



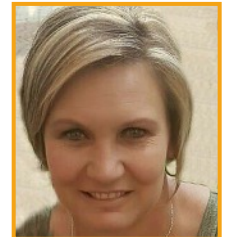
Brandon Barrett



Caitlin Margoczi



CJ van der Merwe



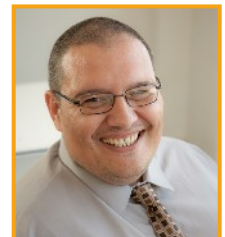
Corene Human



Constance Tebogo



Denise Africa



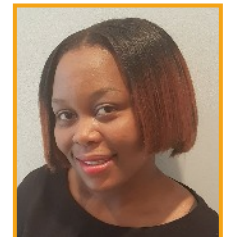
Dewald Meyer



Dion Willis



Eben Augustyn



Elizabeth Makhafola



CORPORATE PROFILE



Enrico Brits



Gavin Parsons



Gerda Orsmond



Gert Nortman



Greg Wright



Gregory Masemola



Ingrid Viljoen



Irma Smith



Jakes Ackerman



Joyce Sithole



Leanie Forte



Magda van der Walt



Mandy Tesner



Michelle Hart



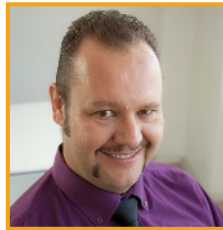
Moira Burger



Neil Nortman



Noreen Delport



Phillip le Roux



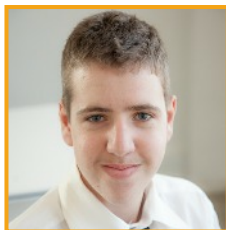
Precious Mathaga



Riaan le Roux



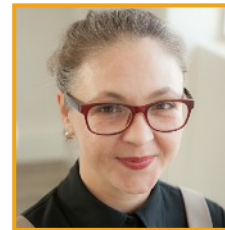
Robert Hart



Ruan le Roux



Ruben Classens



Samantha Dugtig



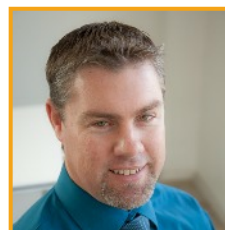
Siya Hlengethwa



Sizwe Sikhosana



Sunette Kleynhans



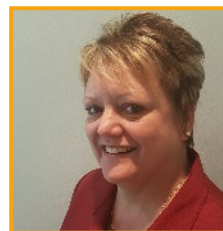
Tobias Carstens



Walter Language



Wesley Rostoll



Zelda Matthee



Zeldia Prinsloo

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VISION AND VALUES



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

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

Corporate Values:

CANI

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

NO MISTAKES

We treasure the experience of learning from our mistakes but abhor mistakes that go unattended and unresolved.

EXCELLENCE ONLY IN RESULTS

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

HIGH VALUES AND HIGH PERFORMANCE

High focus and high energy leads to impressive execution of the TeleMasters' way.

DO IT TODAY

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

LONG-TERM RELATIONSHIPS

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

MEASURE AND REPORT DAILY

This is our aim within the pre-defined competencies and whilst executing primary measurable objectives above all.

RESPONSIBILITY AND ACCOUNTABILITY

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

UNCONSCIOUS COMPETENCE

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

CASH IS KING

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

During this financial year, TeleMasters' strategy started coming of age. Its stated objective of finding and dominating uncontested areas in the chosen business telecommunications and internet provision sectors was shaped through experience in the market, innovation in the product and service offering and a keen pricing strategy. Under the banner of "FutureProof" we trademarked a dozen items, started a focus on selling 'complete and future-proofed' solutions and rolled this out.

We offer Virtual PBX (VPX™ and Dect Delite™), Digital voice services (Simplex™, Duplex™ Digiplex™, MegaPlex™), internet services on DSL and fiber; and LTE data services. These services are in addition to the legacy Least-cost cellular services we helped pioneer 20 years ago. This makes us the only provider of both legacy and future services.

A comprehensive sales strategy analysis was undertaken over six months and the sales team was restructured, re-assigned and refocused. In response, the airtime sales increased 29% but non-payments, cancellations and bad debt reduced this growth to 7.45%. The uptake in the market is heartening but a lesson in customer selection and retention was learnt and applied. This outcome helped narrow down the options of how TeleMasters pitched its FutureProof offering. It is noteworthy that TeleMasters has over 40 Unique Selling Propositions that set us apart from the competition. Technician vehicles were branded and are now visible all over.

Operationally, a number of new staff were deployed in the ongoing quest to improve efficiency and raise the standards of response. The quest is to implement perfectly and doing so quickly is our burning drive. Customers need to be on air or on the web without fail and a number of new systems, techniques and equipment were deployed to minimize downtime. We ended well within the minimum ICASA requirement for outages.

Deployment of our interconnection point to both Cape Town and Durban is scheduled for the coming year which will increase the margins of local calls and triple our network redundancy points. TeleMasters has made a conscious decision not to invest in its own fibre network but to remain agnostic to suppliers. We have concluded agreements with all major and a number of minor players and coverage is expanding rapidly.

The exchange rate affected equipment prices but standardization on stripping down on some features helped stabilise the prices. The implementation of a business process software system is helping to optimise stockholding and we expect a healthy tightening of stock levels and control.

COMBINED CHAIRMAN'S AND CEO'S REPORT - continued



The cash position weakened as almost all customer VPX transactions were financed from own cashflow. There is room in the future for invoice discounting to top up and normalize the asset mix.

The heart of the Company remains our staff and we thank each one for their unique and dedicated contribution which makes our Company special.

We will continue building up profitable momentum and execute the strategy to make us FutureProof too.

DS van der Merwe
Chairman

MB Pretorius
Chief Executive Officer

COMMENTARY BY THE CHIEF FINANCIAL OFFICER



The group experienced net growth in Revenue of a nett of 7.45% in a very competitive pricing environment. The fall-off from disconnected and lost clients was substantially higher than previous periods, reflecting the tightening economic scenario affecting SME customers.

The gross margin increased to 35% in the year from 30% primarily as a result of the migration and increase of customers on the fixed line platform as opposed to the legacy Least Cost Routing service. Newly introduced Data services contributed to the increase in the Revenue. The focus on data access to cloud services remains the strategic priority of the Group. Six new product and service offerings, all linked to our core service, were introduced to a very good market response.

The gain made in margin increase was offset by the higher operating costs of additional sales rewards to the channel partners and additional sales offices which were opened. In addition we increased our technical support resources. These investments to increase our capacity have not been met with the pace of growth originally anticipated. We are thus continuing to seek additional distribution channels to increase our growth in client installations. The last quarter's results prompted the group to reorganise internally for efficiency and market focus.

Finance costs increased from R244 331 in 2015 to R377 537 as a result of increased finance lease agreements entered into in order to provide the higher capital requirements of the Fixed Line platform to new customers. Additions to plant and equipment amounted to R8 386 099 for the year compared with R3 729 199 in the 2015 year. The borrowings of the group remain very low in comparison with the assets of the Group.

Cash generated from operations reduced from R8 452 619 in 2015 to R2 915 987 primarily as a result of the increased operating expenditure and asset acquisitions referred to above. Dividends were reduced from the prior year's R2 520 000 to R1 260 000 in order to partially compensate for the lower cash generated.

Brandon Topham

DIRECTORS' PROFILES



Mr Daniel Stephen van der Merwe ***Independent Non-executive Chairman (63)***

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

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

Stephen has held the following directorships over the past year:

Company	Nature of business
Mertech Telecommunications (Pty) Ltd	Telecommunications
Flexactive (Pty) Ltd supplements	Sports clothing and Nutritional distributor
Mertrac Infraco (Pty) Ltd	Telecommunications
LSD Sportswear (Pty) Ltd	Sportswear attire, design & sublimation

Mr Jaco Voigt ***Non-executive (42)***

Jaco matriculated at Outeniqua High School, George, in 1992 and obtained a Bachelor of Social Sciences degree in 1996 from the University of the Orange Free State. He started his career in the communications industry at DataPro in 1998 and held various management positions in the organization – the last one being founder and MD of VoxTelecom. VoxTelecom was the pioneer of VoIP service provision in South Africa.

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

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

Company	Nature of business
Contineo Virtual Communications (Pty) Ltd	Telecommunications

DIRECTORS' PROFILES



Mr Mario Brönn Pretorius **Chief Executive Officer (59)**

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

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

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

Company	Nature of business
Afrisake (Non-profit company)	Non-profit organisation
Bunker Hills Investments 483 (Pty) Ltd	Investment company
Catwalk Investments 599 (Pty) Ltd	Investment company
Data Direct (Pty) Ltd	Internet Service provider
Delos Investments (Pty) Ltd	Investment company
Duelco Investments 162 (Pty) Ltd	Investment company
Dursley Properties CC	Investment company
Expectra 51 (Pty) Ltd	Telecommunications
Expectra Connectivity (Pty) Ltd	Investment company
Expectra Direct (Pty) Ltd	Telecommunications
Expectra Online (Pty) Ltd	Telecommunications
Expectra Audits (Pty) Ltd	Telecommunications consulting
Fluolor (Pty) Ltd	Mining & distribution
Initiative SA Investments 114 (Pty) Ltd	Investment company
Liberty Moon Investments 15 (Pty) Ltd	Investment company
Lifehouse Investments 58 (Pty) Ltd	Commodity trading
Limosa Investments 287 (Pty) Ltd	Property development
Ontrak Investments 178 (Pty) Ltd	Investment company
Skycall Networks (Pty) Ltd	Telecommunications
Simplicate Solutions (Pty) Ltd	Investment company
Snowy Owl Properties 82 (Pty) Ltd	Investment company
Snowy Owl Properties 90 (Pty) Ltd	Property development
TeleMasters (Pty) Ltd	Telecommunications
Telenext (Pty) Ltd	Telecommunications
Trifecta Trading 449 (Pty) Ltd	Investment company
Vazmasters (Pty) Ltd	Administrative services
Zero plus trading 194 (Pty) Ltd	Property development
Telemasters Direct (Pty) Ltd	Telecommunications

DIRECTORS' PROFILES



Mr Brandon Rodney Topham **Chief Financial Officer (45)**

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

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

Company	Nature of business
Ecsponent Holdings Ltd	Investment holding
Seesa (Pty) Ltd	Labour law & BEE consulting
Goodwill Park (Pty) Ltd	Investment holding
TAG Employee Fund administrators (Pty) Ltd	Employee fund administration
Venmore (Pty) Ltd	Investment holding
TAG Business Advisors (Pty) Ltd	Professional services
TAG Plastics (Pty) Ltd	Flexible plastic manufacture
TAG Investments (Pty) Ltd	Investment holding
Compadre Caliente (Pty) Ltd	Food Distribution
Revenue Forensics (Pty) Ltd	Professional services
TAX Accounting Guru Inc.	Professional services
Dykefeld Country Estate (Pty) Ltd	Farm and property holding
Biz Afrika 1150 (Pty) Ltd	Mining contractor
TAG Consulting (Pty) Ltd	Professional services

DIRECTORS' PROFILES



Mr Marthinus Gerhardus Erasmus

Non-Executive (49)

Marthinus has a B. Acc (Hons) degree, is a registered CA(SA) and holds an Executive Leadership certification from Unisa. After qualifying and serving articles at PwC, he worked in various large corporate environments where he gained experience in, *inter alia*, finance, management, strategic negotiations and corporate finance, before joining AST, a then newly-listed IT company, as the Financial Director in 1998.

Marthinus has extensive experience, across various continents, in finance, mergers and acquisitions, black economic empowerment transactions, strategy development and execution, corporate transactions and business turnarounds. Marthinus is currently the CEO of Arbor Capital Corporate Finance (Pty) Ltd, a position he has held since 2006, and the non-executive chairman of the Spero group of companies.

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

Company	Nature of business
Guideline Biztech (Pty) Ltd	Professional consulting
5 th Dimension Genetics (Pty) Ltd	Risk, quality & compliance services
Boerseun Boerdery (Pty) Ltd	Farming
Anyavert (Pty) Ltd	Investment Holdings
K2014001245 (Pty) Ltd	Investment Holdings
Flowcentric Industrial Innovations (Pty) Ltd	Investment Holdings
Arbor Capital Corporate Finance (Pty) Ltd	Corporate Finance
Fluolor (Pty) Ltd	Mining & distribution
Flowcentric Technologies (Pty) Ltd	Information Technology

CORPORATE GOVERNANCE REPORT



The Board hereby confirms its commitment to the principles of fairness, accountability, responsibility and transparency. Through this process, shareholders and other stakeholders may derive assurance that the group is being managed ethically according to prudently determined risk parameters and in compliance with generally accepted corporate practices. The Board has examined the principles and requirements of the King III Report and the JSE Listings Requirements with regard to corporate governance. Due consideration has been given as to how best to implement the recommendations within the group and as a minimum the Board has complied with the following:

1. COMPOSITION AND INDEPENDENCE OF THE BOARD

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

The group has a unitary Board with a Chairman who is elected from the Board. The roles of Chairman and Chief Executive Officer (CEO) are separated. The Board currently consists of three non-executive directors and two executive directors. The non-executive directors are not appointed under service contracts. One of the three non-executive directors is independent.

The directors' terms of office are as follows:

Director	Date appointed	Date resigned
Brandon Rodney Topham – Executive	7 September 2006	
Mario Brönn Pretorius – Executive	2 November 2006	
Jaco Voigt – Non-executive	12 May 2008	
Daniel Stephen van der Merwe – Non-executive independent	01 April 2009	
Marthinus Gerhardus Erasmus - Non-executive	07 August 2014	

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

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

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

The Board meetings are attended by representatives from the Company's designated advisor in accordance with the JSE Listings Requirements for companies listed on the AltX.

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

CORPORATE GOVERNANCE REPORT

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

Name	# of meetings	# of meetings attended
Daniel Stephen van der Merwe	4	4
Mario Brönn Pretorius	4	4
Brandon Rodney Topham	4	4
Jaco Voigt	4	4
Marthinus Erasmus	4	4

1.1 CHAIRMAN OF THE BOARD

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

The roles and responsibilities of the Chairman include:

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

CORPORATE GOVERNANCE REPORT

1.2 CHIEF EXECUTIVE OFFICER

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

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

The roles and responsibilities of the CEO include:

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

2. APPOINTMENT AND RE-ELECTION OF THE BOARD

The directors bring a wide range of experience, diversity, insight and independence of judgement on issues of strategy, performance, resources and standards of conduct to the Board. Directors are appointed based on the needs of the group and the nature of its business and to ensure diversity in terms of qualifications, technical expertise, industry knowledge, experience.

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

- Any new appointment will be considered by the Board as a whole; and
- The Company Secretary will ensure that any new director will attend the JSE AltX Directors Induction Programme, and will provide the new director with an induction session to ensure that the new Board member understands the group, the business environment and his/her role and responsibilities as a director of the Company. All of the directors have attended this course.

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

CORPORATE GOVERNANCE REPORT



3. ROLE AND FUNCTION OF THE BOARD

The Memorandum of Incorporation of the Company set out. *Inter alia*, the directors' powers and conditions of appointment. The day-to-day management of the group is vested in the executive directors.

The Board's main responsibilities include:

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

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

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

4. BOARD COMMITTEES

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

4.1 AUDIT AND RISK COMMITTEE

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

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

CORPORATE GOVERNANCE REPORT

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

The Audit and Risk Committee convened on various occasions as set out below during the financial period under review. The Audit and Risk Committee did meet separately with the external auditors during the year.

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

- Ensuring compliance with applicable legislation and the requirements of regulatory authorities;
- Ensuring the integrity of the group's integrated report, accounting and financial reporting systems;
- Reviewing financial reports such as the annual financial statements, interim results announcements, integrated information, price-sensitive financial information, trading statements and circulars;
- Evaluating significant judgements and reporting decisions, including changes in accounting policies, significant unusual items and materiality;
- Recommending the annual financial statements to the Board for approval;
- Reviewing the statement on going concern after taking into consideration the group's future working capital requirements;
- Reviewing budgets and forecasts;
- Reporting on sustainability issues;
- Performing an annual review of the expertise, resources and experience of the group's finance function including the CFO;
- Monitoring all contracts entered into by the group in which any of the directors are either beneficially or indirectly beneficially interested so as to ensure that all such contracts are fair and reasonable and in the best interest of the group;
- Recommending the re-appointment or removal of the external audit firm and designated auditor, who is independent of the group, to the Board on a 5-year rotation basis;
- Approving the external audit firm's terms of engagement;
- Approving the external auditors' remuneration;
- Reviewing, monitoring and reporting on the independence and objectivity of the external audit firm;
- Assessing the effectiveness of the external audit process annually;
- Defining a policy for the nature, extent and terms of non-audit services that may be performed by the external auditors for approval by the Board;
- Handling disagreements between management and the external auditors;
- Engaging an external audit firm to provide an assurance report on any summarised financial information;
- Addressing concerns raised by the external audit firm;
- Receiving notice of reportable irregularities in terms of the Auditing Profession Act, No. 26 of 2005 from the external audit firm;
- Advising on monitoring or enforcement actions against the group;
- In the absence of a Risk Committee, overseeing the implementation of a risk management process by management;
- Ensuring that the appropriate systems are in place for monitoring risk, financial control and compliance with the law and codes of conduct;
- Performing an annual review of the design, implementation and effectiveness of internal financial controls;

CORPORATE GOVERNANCE REPORT

- Reviewing arrangements made by the group for “whistle blowing”;
- Approving amendments to the group’s Code of Conduct;
- Reporting to shareholders at the annual general meeting and internally to the Board on how the Audit and Risk Committee carried out its functions;
- Reviewing the external audit and commenting on the annual financial statements, policies and internal control;
- Ensuring compliance with the Code of Corporate Practices and Conduct; and
- Ensuring compliance with the group’s Code of Ethics.

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

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

Name	# of meetings	# of meetings attended
MG Erasmus (Chairman)	4	4
DS van der Merwe	4	4
J Voigt	4	4

4.2 REMUNERATION COMMITTEE

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

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

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

Name	# of meetings held	# of meetings attended
J Voigt (Chairman)	1	1
MG Erasmus	1	1
DS van der Merwe	1	1

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

- Setting and administering remuneration policies;
- Reviewing benefits to ensure that they are justified, correctly valued and properly disclosed;
- Setting directors’ fees for non-executive directors and Committee members for approval by the shareholders at the annual general meeting;
- Negotiating employment contracts for senior executives; and
- Ensuring proper disclosure of the remuneration of each individual director and certain senior executives.

CORPORATE GOVERNANCE REPORT



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

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

The remuneration of each individual director and certain senior executives is set out in note 22 of the annual financial statements.

4.3 SOCIAL AND ETHICS COMMITTEE

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

The attendance of directors at Social and Ethics Committee meetings during the period under review, taking into account their dates of appointment and/or resignation, was as follows:

<u>Name</u>	<u># of meetings</u>	<u># of meetings attended</u>
DS van der Merwe (Chairman)	2	2
MB Pretorius	2	2
BR Topham	2	2
J Voigt	2	2
MG Erasmus	2	2

5. INTERESTS OF DIRECTORS AND OFFICERS

The register of interests of directors in contracts in terms of Section 75 of the Companies Act is available to Members of the public on request.

The interests of directors and officers in the group's securities as at 30 June 2016 are set out in the Directors' Report.

6. COMPANY SECRETARY

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

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

CORPORATE GOVERNANCE REPORT

6. COMPANY SECRETARY (continued)

The company secretarial function is outsourced to TAG Consulting (Pty) Ltd (100A Club Avenue, Waterkloof Ridge, Pretoria, 0181), represented by Brandon Topham. The board is satisfied that TAG Consulting is suitably qualified, competent and experienced to perform the role. The board has considered the fact that Brandon Topham is a director of TeleMasters and of TAG Consulting, but has satisfied itself that the company secretary has been able to effectively fulfill the role of gatekeeper of good corporate governance in that Brandon is a qualified chartered accountant, an admitted attorney of the High Court of South Africa, has trained on corporate governance and has performed governance audits. As such he is able to provide guidance to the directors on governance, compliance and their fiduciary duties and, in doing so, acts professionally, independently and on equal footing with the board.

7. ACCOUNTING AND AUDITING

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

The external auditors observe the highest level of business and professional ethics and their independence is not impaired in any way. The external auditors are given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders and of the Board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

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

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

8. INTERNAL AUDIT

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

In the absence of an internal audit function, the responsibility of monitoring internal risks and governance processes has been delegated to the Audit and Risk Committee. This committee must ensure that effective controls are in place to mitigate identified risks and ensure an effective internal control framework.

CORPORATE GOVERNANCE REPORT

9. COMMUNICATION WITH STAKEHOLDERS

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

The Board encourages its stakeholders to attend the group's general meetings where they will be provided with the opportunity to ask questions of the Board, the Audit and Risk Committee and the group's auditors. Shareholders will be informed at the annual general meeting of the results of all voting which may have taken place.

10. CLOSED AND PROHIBITED PERIODS

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

11. CODE OF ETHICS

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

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

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

CORPORATE GOVERNANCE REPORT

12. GOVERNANCE OF INFORMATION TECHNOLOGY

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

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

13. SUSTAINABILITY REPORTING

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

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

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

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

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

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

14. TRANSFER OFFICE

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

15. DESIGNATED ADVISOR

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

CORPORATE GOVERNANCE REPORT

16. SUMMARY

Below is a summary of the Company's progress in implementing the principles contained in the King III report, those areas not fully complied with and reasons for non-compliance. A detailed explanation of Chapter two is provided below.

CHECKLIST: King III Index							
ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP	Apply	Partially apply	Under review/Do not apply	COMPLIANCE WITH LAWS, CODES, RULES AND STANDARDS	Apply	Partially apply	Under review/Do not apply
Effective leadership based on an ethical foundation	✓			The Board ensures that the group complies with relevant laws	✓		
Responsible corporate citizen	✓			The Board and directors have a working understanding of the relevance and implications of non-compliance	✓		
Effective management of the group's ethics	✓			Compliance risk forms an integral part of the group's risk management process	✓		
Compliance statement on ethics in integrated annual report	✓			The Board has delegated to management the implementation of an effective compliance framework and processes	✓		
BOARDS AND DIRECTORS				GOVERNING STAKEHOLDER RELATIONSHIPS			
The Board is the focal point for and custodian of corporate governance	✓	Appreciation of		stakeholders' relationships	✓		
Strategy, risk, performance and sustainability are inseparable	✓			There is an appropriate balance between various stakeholder groupings	✓		
Directors act in the best interest of the group	✓			Equitable treatment of stakeholders	✓		
The Chairman of the Board is an independent non-executive director	✓			Transparent and effective communication to stakeholders	✓		
Framework for the delegation of authority has been established	✓			Disputes are resolved effectively and timeously	✓		
The Board comprises a balance of power, with a majority of the non-executive directors, the majority of whom are independent		✓ ¹		THE GOVERNANCE OF INFORMATION TECHNOLOGY			
Directors are appointed through a formal process	✓			The Board is responsible for IT governance	✓		
Formal induction and on-going training of directors is conducted	✓			IT is aligned with the group's performance and sustainability objectives	✓		
The Board is assisted by a competent, suitably qualified and experienced group secretary	✓			Management is responsible for the implementation of an IT governance framework	✓		

Regular performance evaluation of the Board, its committees and the individual directors		√ ²		The Board monitors and evaluates significant IT investments and expenditure	√		
Appointment of well-structured committees and oversight of key functions	√			IT is an integral part of the group's risk management	√		
An agreed governance framework between the group and its subsidiary boards is in place	√	IT assets are managed		effectively	√		
Directors and executives are fairly and responsibly remunerated	√			The Audit/Risk Management Committee and Audit and Risk Committee assist the Board in carrying out its IT responsibilities	√		
BOARDS AND DIRECTORS				THE GOVERNANCE OF RISK			
Remuneration of directors and senior executives is disclosed	√			The Board is responsible for the governance of risk and setting levels of risk tolerance	√		
The group's remuneration policy is approved by its shareholders	√			The Audit and Risk Committee assists the Board in carrying out its risk responsibilities	√		
AUDIT AND RISK COMMITTEE				The Board delegates the process of risk management to management	√		
Effective and independent	√			The Board ensures that risk assessments and monitoring are performed on a continual basis	√		
Suitably skilled and experienced independent non-executive directors	√			Frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	√		
Chaired by an independent non-executive director	√			Management implements appropriate risk responses	√		
Oversees integrated reporting	√			The Board receives assurance on the effectiveness of the risk management process	√		
A combined assurance model; is applied to improve efficiency in assurance activities			√ ³	Sufficient risk disclosure to stakeholders	√		
Satisfies itself on the expertise, resources and experience of the group's finance functions	√	INTERGRATED REPORTING		AND DISCLOSURE			
Oversees internal audit			√ ³	Ensures the integrity of the group's integrated annual report	√		
Integral to the risk management process	√			Sustainability reporting and disclosure is integrated with the group's financial reporting	√		
Oversees the external audit process	√			Sustainability reporting and disclosure is independently assured			√ ⁴

Reports to the Board and shareholders on how it has discharged its duties	✓						
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✓¹ The majority of the directors are non-executive directors but there is only one independent non-executive out of five currently on the Board.

✓²The executive directors' performance is regularly assessed through the remuneration committee.

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

✓⁴Currently no independent assurance report is obtained relating to Sustainability reporting on the part of the group. This will be reviewed in future once more significant sustainability reporting is considered necessary by the board.

King III Detailed relating to Chapter two application

Principle 2.1 The Board should act as the focal point for and custodian of corporate governance. Applied

The Board ensures that the Company applies the governance principles contained in King III and continually aims to further entrench and strengthen recommended practices through the Group's governance structures, systems, processes and procedures.

Principle 2.2 The Board should appreciate that strategy, risk, performance and sustainability are inseparable. Applied

The Board approves and monitors the Group strategy and the implementation thereof. Strategic objectives are determined based on performance objectives, key risk areas and the long term sustainability of the Group, with economic, environmental and social issues relevant to the Group being taken into account.

Principle 2.3 The Board should provide effective leadership based on an ethical foundation. Applied

The Group subscribes to high ethical standards and responsible leadership characterised by the values of fairness, accountability, responsibility and transparency. In accordance with the Board Charter the Board acts as the focal point for and the custodian of corporate governance.

Principle 2.4 The Board should ensure that the Company is and is seen to be as a responsible corporate citizen. Applied

The Board is responsible for ensuring that the Group has due regard to not only the financial aspect of the business, but also the impact that business operations have on the environment and the society within which the Group operates.

Principle 2.5 The Board should ensure that the Company's ethics are managed effectively Applied

The Board has approved a code of ethics by which the group is governed. A review of the code of ethics is currently being undertaken.

Principle 2.6 The Board should ensure that the Company has an effective and independent Audit and Risk Committee. Applied

In line with the Companies Act, 2008, the Board has appointed an Audit and Risk Committee that is constituted by Directors who have experience in accounting, finance, commerce and law.

Principle 2.7 The Board should be responsible for the governance of risk. Applied

The Board is responsible for the governance of risk and is assisted in this regard by an Audit and Risk Committee. The Audit and Risk Committee is responsible for assisting the Board in fulfilling its oversight responsibilities with regard to the risk appetite of the Company, the risk management and compliance framework and the governance structure that supports it.

Principle 2.8 The Board should be responsible for information technology (IT) governance. Applied

Ultimate responsibility for the Company's IT governance framework is borne by the Board. The Board has delegated the responsibility to the Audit and Risk Committee which has overseen the drafting of an IT disaster recovery plan.

Principle 2.9 The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards. Applied

Legislative and regulatory compliance is overseen by the Risk Committee and Social and Ethics Committee.

Principle 2.10 The Board should ensure that there is an effective risk-based internal audit. Explained

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

Principle 2.11 The Board should appreciate that stakeholder perceptions affect a Company's reputation. Applied

Applied The Board is cognisant of the importance of stakeholders and how their perceptions can affect the Group's reputation and business model. The Board accordingly strives to ensure a culture of transparency throughout the Group's operations.

Principle 2.12 The Board should ensure the integrity of the Company's integrated report. Applied

The Audit and Risk Committee recommends the approval of the integrated report to the Board, prior to it being reviewed and approved by the Board.

Principle 2.13 The Board should report on the effectiveness of the Company's internal controls. Applied

The Board reports on the effectiveness of the Company's internal controls in the integrated report.

Principle 2.14 The Board and its directors should act in the best interests of the Company. Applied

Directors are aware of their fiduciary duties and stewardship role of the Board. Records of Directors' interests are kept and updated on an on-going basis. Directors act with independence of mind and strive to ensure that they are acting in the best interests of both the Company and its stakeholders.

Principle 2.15 The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Companies Act, 71 of 2008. Applied

The Board is aware of the requirements of the Companies Act regarding business rescue and is satisfied that the Company is not in a state of financial distress.

Principle 2.16 The Board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should also not fulfil the role of chairman of the Board. Applied

The Company has appointed an independent Chairman, Mr Stephen van der Merwe who has no executive duties.

Principle 2.17 The Board should appoint the Chief Executive Officer and establish a framework for the delegation of authority. Applied

The Board has delegated authority to the Chief Executive Chairman and Financial Director to run the day-to-day affairs of the Company, which authority is subject to an approval framework.

Principle 2.18 The Board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent. Explained

The Board is constituted by a majority of non-executive Directors, of which only one is an independent director. Although the majority of Directors are not independent, they are all seasoned Directors who apply their minds independently.

Principle 2.19 Directors should be appointed through a formal process. Applied

Any new appointments to the Board are considered by the Board as a whole. New Directors appointed to the Board during the year are appointed in accordance with the provisions of the Company's memorandum of incorporation, automatically retire at the next annual general meeting and their re-appointment is subject to the approval of shareholders.

Principle 2.20 The induction of and on-going training and development of directors should be conducted through formal processes. Applied

New appointees to the Board are appropriately familiarised with the Company. Additional training is provided when it is considered to be needed.

Principle 2.21 The Board should be assisted by a competent, suitably qualified and experienced company secretary. Applied

TAG Consulting (Pty) Ltd ("TAG") has been appointed by the Board as Company Secretary. The appointment is in accordance with the Companies Act, 2008 and the JSE Listings Requirements and is evaluated annually. The Board is of the opinion that TAG has the requisite attributes, qualifications and experience to competently carry out the duties and responsibilities of Company Secretary. The CFO has previously filled this role in his personal capacity but now performs the duty through TAG of which he is a director.

Principle 2.22 The evaluation of the Board, its committees and individual directors should be performed every year. Explained

The Board acknowledges the importance of both self-evaluation and evaluation of the sub-committees. This function is performed internally by the Company Chairman and where necessary changes have been made by agreement with the other members of the board.

Principle 2.23 The Board should delegate certain functions to well-structured committees without abdicating its own responsibilities. Applied

The Board has three committees that assist it in discharging its duties and responsibilities. These committees are:

- Audit and Risk Committee

- Remuneration Committee

- Social and Ethics Committee

Principle 2.24 A governance framework should be agreed between the Group and its subsidiary boards. Applied

The governance of wholly-owned subsidiaries is handled by Board. The Group currently only has wholly-owned subsidiaries.

Principle 2.25 Companies should remunerate directors and executives fairly and responsibly. Applied

The Board oversees the remuneration of Directors and Senior Executives and makes the determination taking into account market conditions, expert advice from remuneration specialists and in accordance with the Remuneration Policy. Non-executive Directors' fees are submitted annually to shareholders for approval at the Annual General Meeting. Refer to the Remuneration report in the Integrated Annual Report.

Principle 2.26 Companies should disclose the remuneration of each individual director and prescribed officer - Applied

The remuneration of Directors and Prescribed Officers is included in the Directors' report of the Integrated Annual Report.

Principle 2.27 Shareholders should approve the Company's remuneration policy. Applied

The Company's Remuneration report, including the Remuneration Policy, approved by the Board is tabled for a non-binding advisory vote at each Annual General Meeting of shareholders.

DECLARATION BY COMPANY SECRETARY

The Company Secretary certifies that the group has lodged with the Companies and Intellectual Property Commission, all such returns as are required by a public company, in terms of Section 88(2)(e) of the Companies Act, as amended, and that all such returns are true, correct and up to date to the extent that the Company Secretary has been informed.



Brandon Topham
for TAG Consulting (Pty) Ltd

AUDIT AND RISK COMMITTEE'S REPORT



This report of the Audit and Risk Committee for the period ended 30 June 2016 is presented as required by King III and Section 94 of the Companies Act.

1. FUNCTIONS AND RESPONSIBILITIES OF THE AUDIT AND RISK COMMITTEE

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

The Audit and Risk Committee is guided by its charter, approved by the Board, dealing with membership, structure and levels of authority. The roles and responsibilities of the Audit and Risk Committee have been fully addressed in paragraph 4.1 of the Corporate Governance Report.

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

2. MEMBERS OF THE AUDIT AND RISK COMMITTEE

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

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

3. FREQUENCY OF MEETINGS

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

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

4. INDEPENDENCE OF EXTERNAL AUDIT

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

5. PERFORMANCE OF INTERNAL AUDIT

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

AUDIT AND RISK COMMITTEE'S REPORT



6. EXPERTISE, RESOURCES AND EXPERIENCE OF THE FINANCIAL FUNCTION

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

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

7. RISK MANAGEMENT PROCESS

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

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

8. FINANCIAL STATEMENTS

Management has reviewed the financial statements with the Audit and Risk Committee, and the Audit and Risk Committee has, in turn, reviewed them without management or the external auditors being present. The quality of the accounting policies are discussed with the external auditors. The Audit and Risk Committee considers the financial statements of TeleMasters Holdings Limited to be a fair presentation of its financial position on 30 June 2016 and of the results of the operations, changes in equity and cash flows for the period then ended, in accordance with IFRS and the Companies Act.

9. INTERNAL FINANCIAL CONTROL ENVIRONMENT

The Audit and Risk Committee places considerable importance on maintaining a strong control environment. This includes the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

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



MG Erasmus
Chairman

NOTICE OF THE ANNUAL GENERAL MEETING



TELEMASTERS HOLDINGS LIMITED

Incorporated in the Republic of South Africa

Registration number 2006/015734/06

Share code: TLM ISIN: ZAE000093324

("TeleMasters" or "the Company")

Notice is hereby given that the annual general meeting of shareholders of the Company will be held in the boardroom of TeleMasters Holdings Ltd, 90 Regency Street, Route 21 Corporate Office Park, Irene, 0157, Pretoria, at 09:30 on 24 February 2017. The record date on which shareholders must be recorded as such in the register maintained by the transfer secretaries of the company for purposes of determining which shareholders are entitled to attend and vote at the Annual General Meeting is Friday, 17 February 2017. The purpose of the meeting is to consider, and if deemed fit, to pass, with or without modifications the following resolutions:

1. Ordinary resolution number 1 – Annual financial statements

"RESOLVED THAT the annual consolidated financial statements of the group for the year ended 30 June 2016, together with the Directors' and Auditors' reports thereon, be and are hereby received, considered and adopted."

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

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

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

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

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

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

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

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

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

4. Ordinary resolution number 4 – Directors' remuneration

"RESOLVED THAT the remuneration paid to executive and non-executive directors for the financial year ending 30 June 2016 as disclosed in note 22 of the annual financial statements, be and is hereby approved."

NOTICE OF THE ANNUAL GENERAL MEETING



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

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

“RESOLVED THAT the re-appointment of Nexia SAB&T as the auditors, with Aneel Darmalingam as the designated audit partner, be and is hereby approved and that the Audit and Risk Committee be and is hereby authorised to determine the remuneration of the auditors.”

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

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

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

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

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

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

- The shares which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such equity securities or rights that are convertible into a class already in issue;
- This authority shall not endure beyond the next annual general meeting of the Company nor shall it endure beyond 15 months from the date of this meeting;
- There will be no restrictions in regard to the persons to whom the shares may be issued, provided that such shares are to be issued to public shareholders (as defined by the JSE Listings Requirements) and not to related parties;
- Upon any issue of shares which, together with prior issues during any financial year, will constitute 5% or more of the number of shares of the class in issue, the Company shall by way of an announcement on Stock Exchange News Service (SENS), give full details thereof, including the effect on the net asset value of the Company and earnings per share;

NOTICE OF THE ANNUAL GENERAL MEETING



- The number of ordinary shares that may be issued shall not, in the current financial year, in aggregate, exceed 21 000 000 (twenty one million) shares (including any shares which are compulsorily convertible into ordinary shares), being 50% of the Company's issued ordinary shares at the date of this notice of annual general meeting; and
- The maximum discount at which shares may be issued is 10% of the weighted average traded price of the Company's shares over the 30 business days prior to the date that the price of the issue is determined or agreed by the directors of the applicant."

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

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

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

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

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

"RESOLVED THAT the dividends as disclosed in note 24 of the annual financial statements, totaling 3 cents per share, declared and paid by the directors for the financial year ending 30 June 2016 be and are hereby approved."

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

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

"RESOLVED THAT the continued appointment of MG Erasmus as a member and Chair of the Audit and Risk Committee of the Company for the financial year ending 30 June 2017 and until the next AGM be and is hereby approved."

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

11. Ordinary resolution number 11 – Appointment of J Voigt as member of the Audit and Risk Committee

"RESOLVED THAT the continued appointment of J Voigt as a member of the Audit and Risk Committee of the Company for the financial year ending 30 June 2017 and until the next AGM be and is hereby approved."

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

NOTICE OF THE ANNUAL GENERAL MEETING



12. Ordinary resolution number 12 – Appointment of DS van der Merwe as member of the Audit and Risk Committee

“RESOLVED THAT DS van der Merwe be and is hereby appointed as a member of the Audit and Risk Committee of the Company for the financial year ending 30 June 2017 and until the next AGM be and is hereby approved.”

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

13. Ordinary resolution number 13 - Approval of Company Secretary

“RESOLVED THAT TAG Consulting (Pty) Ltd, represented by B Topham , the Chief Financial Officer of the Company, be and is hereby appointed as Company Secretary.” A curriculum vitae for Mr BR Topham is set out under Directors and Executive Managers’ Profiles.

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

14. Ordinary resolution number 14 - Approval of Remuneration Policy

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

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

15. Special resolution number 1 – Directors’ remuneration

“RESOLVED THAT the Directors’ remuneration for the year commencing 1 July 2016, which shall not exceed the amounts detailed below, be and is hereby approved.”

	Amount per annum
Mr DS van der Merwe	287 000
Mr J Voigt	220 000
Mr M Erasmus	220 000

NOTICE OF THE ANNUAL GENERAL MEETING



Shareholders are required to approve the remuneration of non-executive directors. This special resolution requires the support of at least 75% of the voting rights cast on the resolution by shareholders present or represented by proxy and eligible to vote at the annual general meeting.

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

“RESOLVED that in terms of Sections 44 and 45 of the Act, the Company be and is hereby granted approval to enter into direct or indirect funding agreements or guarantee a loan or other obligation, secure any debt or obligation or to provide loans or financial assistance between subsidiaries or between itself and its directors, prescribed officers, subsidiaries, or any related or inter-related persons from time to time, subject to the provisions of the JSE Listings Requirements and as the directors in their discretion deem fit. Loans to the value not exceeding Twenty Million Rand is hereby approved between the Company and its subsidiary.

Reason and effect of special resolution number 2 The purpose of this resolution is to enable the Company to enter into funding arrangements with its directors, prescribed officers, subsidiaries and their related and inter-related persons and to allow inter group loans between subsidiaries. This special resolution requires the support of at least 75% of the voting rights cast on the resolution by shareholders present or represented by proxy and eligible to vote at the annual general meeting.

NOTICE OF THE ANNUAL GENERAL MEETING



Electronic Participation

In terms of section 61(10) of the Companies Act, 71 of 2008, as amended, every shareholders' meeting of a public company must be reasonably accessible within South Africa for electronic participation by shareholders. Shareholders wishing to participate electronically in the annual general meeting are required to deliver written notice to the Transfer Secretaries, Link Market Services South Africa (Pty) Limited, 13th Floor, 19 Ameshoff Street, Braamfontein 2017 by no later than 09h30 on 22 February 2017 that they wish to participate via electronic communication at the annual general meeting (the "Electronic Notice"). In order for the Electronic Notice to be valid it must contain:

- (a) if the shareholder is an individual, a certified copy of his identity document and/or passport;
- (b) if the shareholder is not an individual, a certified copy of a resolution by the relevant entity and a certified copy of the identity documents and/or passports of the persons who passed the relevant resolution. The relevant resolution must set out whom from the relevant entity is authorised to represent the relevant entity at the annual general meeting via electronic communication;
- (c) a valid e-mail address and/or facsimile number (the "contact address/number") and
- (d) if the shareholder wishes to vote via electronic communication, set out that the shareholder wishes to vote via electronic communication. By no later than 24 hours before the commencement of the annual general meeting the Company shall use its reasonable endeavours to notify a shareholder at his contact address/number who has delivered a valid Electronic Notice of the relevant details through which the shareholder can participate via electronic communication.

A form of proxy which sets out the relevant instructions for use is attached for those members who wish to be represented at the annual general meeting of members. Duly completed forms of proxy must be lodged with the transfer secretaries, Link Market Services South Africa (Pty) Limited, 13th Floor, 19 Ameshoff Street Braamfontein 2017 by no later than 09h30 on 22 February 2017.

By order of the Board

TAG Consulting (Pty) Ltd
Company Secretary
100A Club Avenue
Waterkloof Ridge, Pretoria

FORM OF PROXY



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

For use by certificated and “own name” registered dematerialised shareholders of the Company (“shareholders”) at the annual general meeting of shareholders of the Company to be held in the boardroom of TeleMasters Holdings Ltd, 90 Regency Street, Route 21 Corporate Office Park, Irene, 0157, Pretoria, at 09h30 on 24 February 2017 (“the annual general meeting”) and at any adjournment thereof.

I/We (please print)

of (address)

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

1.

_____ or failing him/her,

2.

_____ or failing him/her,

3. the chairman of the annual general meeting

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

	Number of votes (one vote per share)		
	For	Against	Abstain
Ordinary resolution number 1 – Adoption of annual financial statements			
Ordinary resolution number 2 – Director retirement and re-election – MB Pretorius			
Ordinary resolution number 3 – Director retirement and re-election – BR Topham			
Ordinary resolution number 4 – Directors’ remuneration			
Ordinary resolution number 5 – Appointment of auditors and remuneration			
Ordinary resolution number 6 – Placing un-issued shares under control of directors			
Ordinary resolution number 7 – General authority to allot and issue shares for cash			



FORM OF PROXY			
	Number of votes (one vote per share)		
	For	Against	Abstain
Ordinary resolution number 8 – Authority to execute requisite documentation			
Ordinary resolution number 9 – Approval of dividends declared and paid			
Ordinary resolution number 10 – Appointment of M Erasmus as member & Chair of Audit Committee			
Ordinary resolution number 11 – Appointment of J Voigt as member of Audit Committee			
Ordinary resolution number 12 – Appointment of DS van der Merwe as member of Audit Committee			
Ordinary resolution number 13 - Approval of Company Secretary			
Ordinary resolution number 14 - Approval of Remuneration Policy			
Special resolution number 1 – Directors' remuneration			
Special resolution number 2 – General authority to enter into funding agreements, Provide loans or other financial assistance			

Signed at _____ on _____ 2017

Signature _____

Assisted by me (where applicable) _____

Name _____

Capacity _____

Signature _____

(Please print in BLOCK LETTERS)

Certificated shareholders and dematerialised shareholders with "own name" registration

If you are unable to attend the annual general meeting of shareholders to be held at 09h30 on 24 February 2017 in the boardroom of TeleMasters Holdings Ltd, 90 Regency Street, Route 21 Corporate Office Park, Irene, 0157, Pretoria, and wish to be represented thereat, you should complete and return the attached form of proxy in accordance with the instructions contained therein and lodge it with, or post it to, the transfer secretaries, Link Market Services South Africa Pty) Limited, 13th Floor, 19 Ameshoff Street, Braamfontein 2017 by no later than 09h30 on 22 February 2017.

FORM OF PROXY



Dematerialised shareholders other than those with “own name” registration

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

Notes

1. Each member is entitled to appoint one or more proxies (who need not be members of the Company) to attend, speak and, on a poll, vote in place of that member at the annual general meeting.
2. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space provided, with or without deleting "the chairman of the annual general meeting". The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
3. A member's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that member in the appropriate box/es provided. Failure to comply with the above will be deemed to authorise the chairperson of the annual general meeting, if he/her is the authorised proxy, to vote in favour of the resolutions at the annual general meeting, or any other proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit, in respect of all the member's votes exercisable thereat.
4. A member or his proxy is not obliged to vote in respect of all the ordinary shares held or represented by him but the total number of votes for or against the resolutions and in respect of which any abstention is recorded may not exceed the total number of votes to which the member holder or his/her proxy is entitled.
5. Forms of proxy must be lodged with the transfer secretaries of the Company by no later than 09h30 on 22 February 2017.
6. The completion and lodging of this form of proxy will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.
7. Any alterations or corrections to this form of proxy must be initialled by the signatory/ies.
8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Company's transfer office or waived by the chairperson of the annual general meeting.
9. The chairperson of the annual general meeting may reject or accept any proxy form which is completed and/or received other than in accordance with these instructions and notes, provided that he is satisfied as to the manner in which a member wishes to vote.

SUMMARY OF RIGHTS



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

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

The Directors
TeleMasters Holdings Limited
90 Regency Drive
Route 21 Corporate Park
Irene

1 August 2016

APPOINTMENT AS AUDITORS

We are pleased to confirm acceptance of our engagement as auditors of TeleMasters Holdings Limited and its subsidiary. This letter sets forth our understanding of the terms and objectives of our engagement, and the nature and scope of the services we will provide. The issue of this letter of engagement is recommended practice by the International Federation of Accountants. It does not seek to limit our professional responsibilities below the standards that are expected of our profession. Our audit will be done with the objective of expressing an opinion of the financial statements.

Terms of the engagement

We have been engaged to audit and report on the annual financial statements of TeleMasters Holdings Limited and its subsidiary to be presented to the board of directors. Accordingly, we are required by statute to carry out our audit free of any restrictions. Although we will be pleased to advise and assist, the preparation of the financial statements is the responsibility of management. Our responsibility is to express our opinion on these financial statements.

We will conduct our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. The audit will include such tests of transactions and of the existence, ownership and valuation of assets and liabilities, as we consider necessary.

Our audit will include:

- (a) evaluating the appropriateness of the accounting policies,
- (b) examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- (c) assessing the accounting principles used and significant estimates made by management, and
- (d) evaluating the overall financial statement presentation.

Our audit will include such tests as we consider necessary. The nature and extent of our tests may cover any aspect of the business operations, and will vary according to our assessment of what is material in the context of the company's financial statements and, where we wish to place reliance on it, the effectiveness of the internal control structure.

Our work will be planned in advance and incorporated into an audit plan. This may be varied on the basis of our findings during the course of the audit and from year to year.

Accordingly, we may modify our audit scope, rotate our audit emphasis and propose matters of special audit emphasis, as the circumstances dictate.

The concept of materiality affects our audit planning and our consideration of matters arising from our audit. We take into account both qualitative and quantitative factors when assessing materiality.

Because our responsibilities are to report on the financial statements as a whole, rather than those of individual units or divisions, the nature and extent of our tests and enquiries at each unit or division will vary according to our assessment of its circumstances. Thus, we will carry out limited work at certain units or divisions, rather than the full audit that would be necessary if we were to report on the separate financial statements of the unit or division concerned.

However, should you at any time require a specific investigation for the purpose of providing affirmation with regard to the operation of any aspect of your internal control structure, or for any other purpose, for example, the detection of fraud or error, this would be undertaken at your request.

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

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

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

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

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

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

For example:

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

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

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

Financial Intelligence Centre Act

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

Reportable Irregularities

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

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

In relation to companies the management board usually comprises:

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

We are required by the Auditing Profession Act, 26 of 2005 (the "APA") to send a written report to the Independent Regulatory Board of Auditors ("IRBA") if we are satisfied or have reason to believe that a reportable irregularity (as defined in the APA) has taken place or is taking place.

We undertake to notify the director of such action within three days of sending a report to the IRBA. We will subsequently take all reasonable steps to discuss the report with the director who will be afforded the opportunity to make representations in respect thereof.

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

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

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

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

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

Because of the test nature and other inherent limitations of an audit, together with the inherent limitations of any accounting and internal control system, there is an unavoidable risk that even some material misstatements may remain undiscovered.

In addition to our report on the financial statements, we expect to provide you with a separate letter concerning any material weaknesses, in the accounting and internal control system, which come to our attention.

Responsibilities of directors

You will retain responsibility and accountability for:

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

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

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

Responsibilities of Auditors

We have a statutory responsibility to the shareholders of the company to, at the conclusion of our audit, express an opinion as to whether or not the financial statements fairly present the financial position, results of operations and cash flow information of the company, in conformity with International Financial Reporting Standards and in the manner required by statute. In arriving at our opinion, we shall inter alia consider the following matters, and report on any in respect of which we are not satisfied:

- (a) whether adequate accounting records have been kept by the Company.
- (b) whether the annual financial statements are in agreement with the accounting records and returns;
- (c) whether we have obtained all the information and explanations which we consider necessary for the purpose of our audit;
- (d) whether the information given in the director' report is consistent with the financial statements.

We also have a professional responsibility to report if the financial statements do not comply in any material respect with applicable accounting standards, unless in our opinion the non-compliance is justified in the circumstances. In determining whether or not the departure is justified we consider:

- (a) whether the departure is required in order for the financial statements to achieve fair presentation in all material aspects;
- (b) whether adequate disclosure has been made concerning the departure.

Our professional responsibilities also include considering whether other information in documents containing audited financial statements is consistent with those financial statements.

Staff

Our staff members undergo periodic training and this, together with the taking of annual leave, may lead to staff turnover and lack of continuity. We will use our best endeavours to avoid any disruption to an engagement's progress.

Save as envisaged below, you agree not to make any offer of employment or to otherwise interfere with or entice away from the employment of any persons employed by NEXIA SAB&T. You further agree not to use such person's services as an independent consultant or via a third party for a period of 12 months following the end of such person's involvement, without the prior written consent of NEXIA SAB&T.

Reporting to management

We shall report to management, normally in writing, any significant weaknesses in, or our observations on, the internal control structure and other areas that come to our attention during the course of our normal audit work and which, in our view, require management's attention.

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

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

Communications with directors

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

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

Information

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

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

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

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

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

Representations by management

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

This letter will also confirm that all important and relevant information has been brought to our attention.

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

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

Documents issued with the financial statements

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

International auditing standards require that we read any annual report and other document that contains our audit opinion. The purpose of this procedure is to consider whether other information in the annual

report, including the manner of its presentation, is materially inconsistent with information appearing in the financial statements. We assume no obligation to perform procedures to verify such other information as part of our audit.

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

Subsidiaries

In carrying out our duties as principal auditors, we shall make such enquiries of any other auditors, and review their work to such an extent as we consider necessary to form our opinion on the financial statements.

Future use of the audit opinion

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

Distribution of any service or product

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

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

Third party rights

The services contract will not create or give rise to, nor will it be intended to create or give rise to, any third party rights.

Reporting to third parties

Our audit opinion is intended for the benefit of those whom it is addressed. The audit will not be planned or conducted in contemplation of reliance by any third party or with respect to any specific transaction. Therefore, items of possible interest to a third party will not be specifically addressed and matters may exist that would be assessed differently by a third party, possibly in connection with a specific transaction.

There may be situations for example in relation to loan agreements, where a third party seeks to request us, in our capacity as auditors, to report to them.

Any contractual arrangements between you and a third party which seek to impose such requirements upon us will not, as a matter of law, be binding on us. However, depending on the circumstances we may agree to provide reports to third parties, but not in our capacity as auditors. Any such possible requirements must be discussed with us at the earliest opportunity and well before the loan agreement

or other arrangement is finalised. In this regard, however, it is our policy not to extend our duty of care in respect of our audit report in the financial statements.

Responsibility relating to electronic distribution of NEXIA SAB&T's opinion

We acknowledge that as director of the company you may wish to publish the company's financial statements and the auditors' report on the company's web site or distribute them to shareholder by means such as e-mail. Your responsibilities concerning the preparation, dissemination and signing of the financial statements do not change simply because the financial statements are reproduced or distributed electronically; it is your responsibility to ensure that any such publication properly presents the financial information and any auditors' report. We request that you advise us of any intended electronic publication before it occurs. Where our audit report is reproduced in any medium, the complete financial statements, including notes, must also be presented.

By giving our consent to the issue of our opinion with the financial statements on the web site we do not accept any duty of care and deny any liability beyond our statutory duties as auditors. As auditors, we will review the process by which the financial statements to be published electronically are derived from the financial information contained in the manually signed financial statements, check that the proposed electronic version is identical in content with the manually signed financial statements and check that the conversion of the manually signed financial statements into an electronic format has not distorted the overall presentation of the financial information, for example by highlighting certain information so as to give it greater prominence.

You are responsible for the controls over, and the security of the web site and, where applicable, for establishing and controlling the process for electronically distributing annual reports and other financial information. We remind you that the examination of controls over the maintenance and integrity of the company's web site is beyond the scope of the audit of the financial statement and if your director's responsibilities statements does not include reference to this we will include it as a note at the end of the electronic version of our audit report. Accordingly, we accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. However, if we do become aware of any subsequent amendments, we will notify the director that the financial statements no longer correspond with the manually signed financial statements.

Uncertainty regarding legal requirements is compounded as information published on the internet is accessible in many countries with different legal requirements relating to the preparation and dissemination of financial statements and if the director's responsibilities statement does not refer to this, or if we otherwise consider it appropriate, we will include a note describing this uncertainty at the end of the electronic version of our audit report.

We reserve the right to withhold consent to the electronic publication of our report if the audited financial statements or the auditors' report are to be published in an inappropriate manner or to request amendments to the electronic auditors' report if we are not satisfied with the proposed wording or its presentation in the context of the financial statements.

Electronic communications

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

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

We confirm that we each accept the risks of and authorise electronic communications between us. We each agree to use commercially reasonable procedures to check for the then most commonly known viruses before sending information electronically. We shall each be responsible for protecting our own

systems and interests in relation to electronic communications and the company and NEXIA SAB&T (in each case including our respective directors, employees or agents) shall have no liability to each other on any basis, whether in contract, delict (including negligence) or otherwise, in respect of any error, damage, loss or omission arising from or in connection with the electronic communication of information between us and our reliance on such information.

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

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

Use of NEXIA SAB&T's software

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

Ownership of and access to audit files

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

We will retain ownership of the copyright and all other intellectual property rights in the product of the services, whether oral or tangible. For the purposes of delivering services to you or other clients, we will be entitled to use or develop knowledge, experience and skills of general application gained through performing the services. You agree to keep confidential any methodologies and technology used by us to carry out our services.

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

Circumstances beyond our or your control

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

Waiver, assignment and sub-contractors

Failure by any one of us to exercise or enforce any rights available to us shall not amount to a waiver of any rights available to either of us.

Neither of us will have the right to assign the benefit or burden of the services contract without the written consent of the other. We will have the right to appoint sub-contractors to assist us in delivering the services.

Exclusions and limitations on our liability

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

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

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

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

Third parties

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

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

Timetable

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

Quality of service

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

Agreement of terms

We look forward to full cooperation with your staff and we trust that they will make available to us whatever records, documentation and other information are requested in connection with our audit. Once it has been agreed, this letter will remain effective from one appointment to another until it is replaced. We shall be grateful if you will confirm your agreement to the terms of this letter by signing and returning the enclosed copy, or let us know if the terms of our engagement are not in accordance with your understanding.



TeleMasters Holdings Limited
(Registration number 2006/015734/06)
Consolidated Annual Financial Statements
for the year ended 30 June 2016

These consolidated annual financial statements were prepared by:
Brandon Topham CA (S.A.)

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

TeleMasters Holdings Limited

(Registration number 2006/015734/06)

Consolidated Annual Financial Statements for the year ended 30 June 2016

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	Mario Bronn Pretorius Brandon Rodney Topham Marthinus Gerhardus Erasmus Daniel Stephen Van Der Merwe Jaco Voigt
Registered office	90 Regency Street Route 21 Office Park Irene 0157
Business address	90 Regency Street Route 21 Office Park Irene 0157
Postal address	P. O. Box 68255 Highveld Park Irene 0169
Bankers	First National Bank
Auditors	Nexia SAB&T Chartered Accountants (S.A.) 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	TAG Consulting (Pty) Ltd
Tax reference number	9683978143
Preparer	The consolidated annual financial statements were internally compiled by: Brandon Topham CA (S.A.)
VAT registration number	4550231056

TeleMasters Holdings Limited

(Registration number 2006/015734/06)

Consolidated Annual Financial Statements for the year ended 30 June 2016

Index

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

Index	Page
Directors' Responsibilities and Approval	3
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Consolidated Statement of Financial Position	9
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TeleMasters Holdings Limited

(Registration number 2006/015734/06)

Consolidated Annual Financial Statements for the year ended 30 June 2016

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated annual financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. 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.

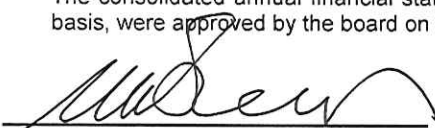
The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal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

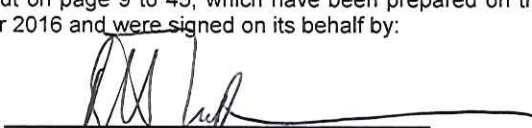
The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated annual financial statements. However, any system of internal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

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

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

The consolidated annual financial statements set out on page 9 to 45, which have been prepared on the going concern basis, were approved by the board on 30 September 2016 and were signed on its behalf by:


Mario Bronn Pretorius


Brandon Rodney Topham

TeleMasters Holdings Limited

(Registration number 2006/015734/06)

Consolidated Annual Financial Statements for the year ended 30 June 2016

Directors' Report

The directors have the pleasure in presenting their report on the group's activities for the year ended 30 June 2016.

1. Review of activities

Main business and operations

TeleMasters is a specialist tele-management and business communication 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 with its current and future suppliers, but will take on a management role in providing current and future clients access to the most efficient and effective connectivity technologies. The business model 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 013 257 (2015: R2 752 166) after taxation expense of R799 827 (2015: R 921 641) and reflected earnings per share of 4.79 cents per share (2015: 6.55 cents per share). Headline earnings per share was 4.82 cents per share (2015: 6.54 cents per share).

The Net Asset Value per share increased to 78.76 cents from 76.97 cents. The Net Tangible Asset Value per share was 70.07 cents (2015: 68.44 cents) after the total dividends of 3 cents per share (2015: 6 cents) were paid to shareholders. The gross profit percentage has increased from 29.8% in prior period to 35.2%. The liquidity of the group is sound and the financial ratios are healthy.

2. Going concern

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

3. Non-current assets

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

4. Authorised and issued share capital

The company's authorised and issued share capital as at 30 June 2016 is set out in note 11 of these consolidated annual financial statements.

As at 30 June 2016, 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 adjusting or disclosable events that have occurred between the end of the financial year and the date of this report that may materially affect the group's results for the year under review or its financial position as at 30 June 2016.

TeleMasters Holdings Limited

(Registration number 2006/015734/06)

Consolidated Annual Financial Statements for the year ended 30 June 2016

Directors' Report

6. Dividends

The following dividends were declared during for the year:

- A cash dividend of 1 cent per share which was paid to shareholders recorded in the company's share register at the close of business on 23 October 2015;
- A cash dividend of 1 cent which was paid to shareholders recorded in the company's share register at the close of business on 29 January 2016;
- A cash dividend of 0.5 cent which was paid to shareholders recorded in the company's share register at the close of business on 13 May 2016; and
- A cash dividend of 0.5 cent which was paid to shareholders recorded in the company's share register at the close of business on 22 July 2016.

The Board remains committed to the policy of quarterly dividends.

During the comparative year ended 30 June 2015, the company declared four dividends totalling six cents per share.

7. Major shareholders

Details of the major shareholders are provided in note 32 of the consolidated annual financial statements.

8. Directors

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

Name and Designation	Designation
Mario Bronn Pretorius	Chief Executive Officer
Brandon Rodney Topham	Financial Director
Marthinus Gerhardus Erasmus	Non-Executive
Daniel Stephen Van Der Merwe	Independent Non-Executive
Jaco Voigt	Non-Executive

9. Litigation

The group is currently involved in the following legal proceedings:

The group 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 listed shares held against the debt owed to the group in excess of the R4.1 million outstanding receivables. The previous client has lodged a counter claim against the group for a similar amount to the claim the group has against them. The matter has been referred for arbitration and no further progress has been made due to the technical nature thereof.

The group is also involved in further litigation with a previous service provider in the amount of R1.4 million due mainly to contractual disputes surrounding historic billings, and the validity thereof.

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

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

10. Borrowing limitations

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

TeleMasters Holdings Limited

(Registration number 2006/015734/06)

Consolidated Annual Financial Statements for the year ended 30 June 2016

Directors' Report

11. Special resolutions

At the company's annual general meeting held on 4 March 2016, the following special resolutions were passed:

- Directors remuneration for the year commencing from 1 July 2015 was approved by the shareholders; and
- A general authority to enter into funding agreements, provide loans or other financial assistance in terms of Sections 44 and 45 of the Companies Act of South Africa was granted.

12. Interest of directors and officers in the company securities

The interests of directors and officers in the company's securities as at 30 June 2016 are as follows:

Number of shares	2016	2015
Direct:		
Daniel Stephen van der Merwe	214 730	214 730
Indirectly and beneficially:		
Brandon Rodney Topham	633 228	633 228
Mario Bronn Pretorius	35 700 000	35 700 000

Share dealings during the financial year

Shares acquired indirectly and beneficially:

Brandon Rodney Topham	-	1 000
Daniel Stephen van der Merwe	-	66 021

13. Separate financial statements

The financial results, position and cash flows of the holding company are not presented in these consolidated annual financial statements. These consolidated annual financial statements include only the consolidated results, position and cash flows of the group. The holding company's separate annual financial statements are available on request, or on the company's website at www.telemasters.co.za.

14. 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, similar to that of its parent. The total comprehensive income of the subsidiary during the financial period ended 30 June 2016 amounted to R 939 606 (2015: R 2 881 152).

15. Secretary

During the current financial period, the company secretarial services were provided by TAG Consulting (Pty) Ltd.

Business address

100A Club Avenue
Waterkloof Ridge
Pretoria
0181

16. Auditors

Nexia SAB&T acted as the group's auditors for the period ended 30 June 2016 and will be nominated to continue in office in accordance with Section 90 of the Companies Act, as amended, for re-appointment at the annual general meeting. The independence and remuneration of the auditors was confirmed by the group's Audit and Risk Committee.

17. Registered address

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

TeleMasters Holdings Limited

(Registration number 2006/015734/06)

Consolidated Annual Financial Statements for the year ended 30 June 2016

Directors' Report

18. Composition of Board and Other Committees

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

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

Independent Auditor's Report

To the Shareholders of TeleMasters Holdings Limited

We have audited the consolidated annual financial statements of TeleMasters Holdings Limited and its subsidiaries, set out on pages 9 to 45, which comprise the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, statement of changes in equity and statement of 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 the requirements of the Companies Act of South Africa and for such internal control as the directors determine is necessary to enable the preparation of consolidated annual financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 auditors' 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, the consolidated annual financial statements present fairly, in all material respects, the consolidated financial position of the TeleMasters Holdings Limited and its subsidiary as at 30 June 2016, and its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by 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 2016, we have read the Directors' Report, the Audit and Risk 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.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 04 December 2015, we report that Nexia SAB&T has been the auditor of TeleMasters Holdings Limited and its subsidiary for 5 years.

Nexia SAB&T

Nexia SAB&T
Registered Auditors

Per: T.J. de Kock - Director

119 Witch Hazel Avenue, Highveld Technopark, Centurion, Pretoria
30 September 2016

Directors: B Adam (CEO), A Aboobaker, Z Abrams, C Chigora, A Darmalingam, T de Kock, J Engelbrecht, Y Hassen, N Hassim, S Ismail, B Jhetam, H Kajie, S Kleovoulou, M Kührau, S Makamure, P Mawire, T Mayet, K Rama, M Sindane, Y Soma, Z Sonpra, N Soopal, M F Sulaman, I Theron, H van der Merwe, M Wessels

Offices in: Bloemfontein, Cape Town, Centurion, Durban, Kimberley, Nelspruit, Polokwane, Port Elizabeth, Rustenburg
SAB&T Chartered Accountants Incorporated is an independent member firm of Nexia International
Company Registration Number: 1997/018869/21 | IRBA Registration Number: 921297



TeleMasters Holdings Limited

(Registration number 2006/015734/06)

Consolidated Annual Financial Statements for the year ended 30 June 2016

Consolidated Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015
Assets			
Non-Current Assets			
Property, plant and equipment	4	21 449 451	16 696 294
Goodwill	5	2 686 779	2 686 779
Intangible assets	6	962 532	849 170
Deferred tax	7	845 879	1 612 581
		<u>25 944 641</u>	<u>21 844 824</u>
Current Assets			
Inventories	8	633 165	384 888
Current tax receivable		-	33 126
Trade and other receivables	9	21 212 292	14 731 290
Cash and cash equivalents	10	3 614 713	7 180 029
		<u>25 460 170</u>	<u>22 329 333</u>
Total Assets		<u>51 404 811</u>	<u>44 174 157</u>
Equity and Liabilities			
Equity			
Share capital	11	48 059	48 059
Retained income		33 032 314	32 279 057
		<u>33 080 373</u>	<u>32 327 116</u>
Liabilities			
Non-Current Liabilities			
Finance lease obligation	12	2 651 125	585 775
Deferred income	13	722 541	-
		<u>3 373 666</u>	<u>585 775</u>
Current Liabilities			
Other financial liabilities	14	2 494 721	3 600 000
Finance lease obligation	12	2 434 603	1 075 518
Trade and other payables	15	9 689 878	6 526 869
Deferred income	13	260 329	-
Bank overdraft	10	71 241	58 879
		<u>14 950 772</u>	<u>11 261 266</u>
Total Liabilities		<u>18 324 438</u>	<u>11 847 041</u>
Total Equity and Liabilities		<u>51 404 811</u>	<u>44 174 157</u>

TeleMasters Holdings Limited

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Consolidated Annual Financial Statements for the year ended 30 June 2016

Consolidated Statement of Comprehensive Income

Figures in Rand	Note(s)	2016	2015
Revenue	16	105 426 236	98 115 619
Cost of sales		(68 306 865)	(68 845 119)
Gross profit		37 119 371	29 270 500
Other income		503 496	1 780 131
Operating expenses		(34 884 564)	(27 532 236)
Operating profit	17	2 738 303	3 518 395
Investment revenue	18	452 318	399 743
Finance costs	19	(377 537)	(244 331)
Profit before taxation		2 813 084	3 673 807
Taxation	20	(799 827)	(921 641)
Profit for the year		2 013 257	2 752 166
Other comprehensive income		-	-
Total comprehensive income for the year		2 013 257	2 752 166
Basic and diluted earnings per share			
Basic earnings per share (cents per share)	23	4.79	6.55
Diluted earnings per share (cents per share)	23	4.79	6.55

TeleMasters Holdings Limited

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Consolidated Statement of Changes in Equity

Figures in Rand	Share capital	Share premium	Total share capital	Retained income	Total equity
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 01 July 2015	4 200	43 859	48 059	32 279 057	32 327 116
Profit for the year	-	-	-	2 013 257	2 013 257
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	2 013 257	2 013 257
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 30 June 2016	4 200	43 859	48 059	33 032 314	33 080 373
Note(s)	11	11	11		

TeleMasters Holdings Limited

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Consolidated Statement of Cash Flows

Figures in Rand	Note(s)	2016	2015 Restated
Cash flows from operating activities			
Cash generated from operations	21	2 953 991	8 452 619
Finance costs		(377 537)	(244 331)
Net cash from operating activities		2 576 454	8 208 288
Cash flows from investing activities			
Additions to plant and equipment	4	(3 746 505)	(3 497 790)
Proceeds on disposal of plant and equipment		188 333	212 551
Additions to intangible assets	6	(360 000)	-
Investment revenue received		452 318	399 743
Net cash from investing activities		(3 465 854)	(2 885 496)
Cash flows from financing activities			
Repayment of other financial liabilities		(500 000)	(1 000 000)
Repayment of finance leases		(719 187)	(2 422 102)
Proceeds from finance leases		-	703 706
Dividends paid		(1 469 091)	(2 520 000)
Net cash from financing activities		(2 688 278)	(5 238 396)
Total cash movement for the period		(3 577 678)	84 396
Cash at the beginning of the period		7 121 150	7 036 754
Total cash at end of the period	10	3 543 472	7 121 150

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Consolidated Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1. Presentation of Consolidated Annual Financial Statements

The consolidated annual financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (IFRS), and its interpretations adopted by the International Accounting Standards Board (IASB) and financial reporting guides issued by the accounting practices of the South African Institute of Chartered Accountants and the requirements of the Companies Act of South Africa and the Listing Requirements of the JSE Limited.

Basis of preparation

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

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

1.1 Consolidation

Basis of consolidation

The consolidated financial statements incorporate the company's financial statements and the 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 and performance of the subsidiary are included in the consolidated statement of financial position and comprehensive income.

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

1.2 Significant judgements and sources of estimation uncertainty

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

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

Income tax

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

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

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Consolidated Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

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 the direct cost to sell the inventory items to certain inventory items in order to test the net realisable value thereof.

Plant and equipment

Fixed assets are reviewed annually on an individual basis to determine their useful life and residual value. Useful life is determined taking into account technological advances impacting the industry. Residual value is the estimated amount which the group will currently obtain from disposal of the asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The method of depreciation is annually reviewed and considered whether it is still appropriate.

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.

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 individual debtors account. Where objective evidence of impairment exist, future cash flows expected to be collected are projected after taking into account market conditions and the credit risk profile of the trade debtors. The present value of these cash flows, determined using the asset's original effective interest rate, is compared to the carrying amount of the trade receivable and, if lower, the trade receivables are impaired to the present value.

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 in respect 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.

Goodwill impairment

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

TeleMasters Holdings Limited

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Accounting Policies

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

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Accounting Policies

1.4 Property, plant and equipment (continued)

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
Sale and leaseback	term of the lease agreement

1.5 Intangible assets

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

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

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

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

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

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Accounting Policies

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

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Accounting Policies

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 initially measured at fair value and subsequently 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, and the fair value reasonably equals the carrying value.

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

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

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

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

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

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

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

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

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

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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 trade and other payables and other financial liabilities are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The group 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.

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.

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Accounting Policies

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.

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

Finance leases as lessee

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

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

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

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

Sale and leaseback transactions

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

Operating leases – lessee

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

Any contingent rents are expensed in the period they are incurred.

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.

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Accounting Policies

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 Borrowing costs

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

1.13 Dividend distribution

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

1.14 Related parties

Related parties are considered to be related if one party has the ability to 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 group, directly or indirectly, and this includes all directors, both executive and non-executive, of the group.

1.15 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.

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Consolidated Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.16 Fair value measurement and hierarchy

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.

1.17 Statement of cash flow

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

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Notes to the Consolidated Annual Financial Statements

Figures in Rand

2016

2015

2. Segment Report

IRS 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.

As a result the group does not have different operating segments. The business is conducted in South Africa and is managed centrally and has no branches. The group is managed as one operating unit.

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

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

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3. New Standards and Interpretations

3.1 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 01 July 2016 or later periods.

The expected financial impact pertaining to the following standards and interpretations should not be significant based on management's initial assessment.

Standards	Details of amendment	Annual periods beginning on or after
IFRS 7 Financial Instruments: Disclosures	<ul style="list-style-type: none">- 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.- 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 1 January 2016
IFRS 9 Financial Instruments	<ul style="list-style-type: none">- 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.- IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and their cash flow characteristics. A new business model was introduced which does allow certain financial assets to be categorised as "fair value through other comprehensive income" in certain circumstances. The requirements for financial liabilities are mostly carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk.The new model introduces a single impairment model being applied to all financial instruments, as well as an "expected credit loss" model for the measurement of financial assets.IFRS 9 contains a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity, in addition enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements.IFRS 9 carries forward the derecognition requirements of financial assets and liabilities from IAS 39.	1 January 2018

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3. New Standards and Interpretations (continued)

IFRS 10 Consolidated Financial Statements	<p>- 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.</p> <p>- 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.</p>	1 January 2016	The effective date of this amendment has been deferred indefinitely until further notice.
IFRS 12 Disclosure of Interests in Other Entities	<p>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.</p>	1 January 2016	
IFRS 15 Revenue from Contracts from Customers	<p>- 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.</p> <p>- 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.</p> <p>The new standard supersedes, IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31.</p>	1 January 2018	

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3. New Standards and Interpretations (continued)

IFRS 16 Leases	<p>New standard that introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows. IFRS 16 contains expanded disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.</p> <p>IFRS 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.</p> <p>IFRS 16 supersedes IAS 17 and IFRC 4, SIC 15 and SIC 27.</p>	1 January 2019
IAS 1, Presentation of Financial Statements	<p>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.</p>	1 January 2016
IAS 7 Statement of Cash flows	<p>Disclosure Initiative: Amendments requiring entities to disclose information about changes in their financing liabilities. The additional disclosures will help investors to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as foreign exchange gains or losses).</p>	1 January 2017
IAS 12 Income Taxes	<p>Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12):</p> <p>Narrow-scope amendment to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.</p>	1 January 2017

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3. New Standards and Interpretations (continued)

IAS 16 Property, Plant and Equipment	<ul style="list-style-type: none">- 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.- 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 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	<ul style="list-style-type: none">- 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.- 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

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4. Property, plant and equipment

	2016			2015		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	673 082	(448 412)	224 670	636 482	(361 227)	275 255
Motor vehicles	1 015 473	(581 563)	433 910	1 520 728	(704 914)	815 814
Office equipment	241 281	(159 582)	81 699	225 396	(139 229)	86 167
IT equipment	1 539 051	(825 482)	713 569	1 228 230	(658 251)	569 979
Routers and handsets	46 848 862	(26 853 259)	19 995 603	38 826 066	(23 876 987)	14 949 079
Total	50 317 749	(28 868 298)	21 449 451	42 436 902	(25 740 608)	16 696 294

Reconciliation of property, plant and equipment - 2016

	Opening carrying value	Additions	Disposals	Depreciation	Total
Furniture and fixtures	275 255	36 600	-	(87 185)	224 670
Motor vehicles	815 814	-	(205 260)	(176 644)	433 910
Office equipment	86 167	15 885	-	(20 353)	81 699
IT equipment	569 979	310 819	-	(167 229)	713 569
Routers and handsets	14 949 079	8 022 795	-	(2 976 271)	19 995 603
	16 696 294	8 386 099	(205 260)	(3 427 682)	21 449 451

Reconciliation of property, plant and equipment - 2015

	Opening carrying value	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)	(2 571 041)	14 949 079
	16 139 662	3 729 199	(206 582)	(2 965 985)	16 696 294

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

Motor vehicles	331 846	815 814
Routers and handsets	2 080 163	1 006 249
Total	2 412 009	1 822 063

These items are pledged as security in terms of finance lease liabilities. Refer to note 12 where the terms and conditions associated with the finance lease liabilities are disclosed.

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

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5. Goodwill

	2016			2015		
	Cost	Accumulated impairment	Carrying value	Cost	Accumulated impairment	Carrying value
Goodwill	2 686 779	-	2 686 779	2 686 779	-	2 686 779

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 the accounting policies relating to Goodwill. No impairment was recognised both in the current and previous financial periods.

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

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

Weighted average rates (as percentage)

	2016	2015
Discount rate	10.75	9.50
Growth rate	8.00	8.00

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 of the group and specific risks related to the cash generating unit were used in discounting the projected cash flows over a 5-year period.

Sensitivity

The value of a 1% increase in the discount rate applied to the discounted cash flow will result in R6 million decrease in the net present value. The value of a 1% decrease in the growth rate applied to the discounted cash flow will result in a movement of R1.1 million. 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 actual historic information provided.

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6. Intangible assets

	2016			2015		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	2 236 559	(1 574 027)	662 532	1 876 559	(1 327 389)	549 170
Customer bases	5 170 500	(5 170 500)	-	5 170 500	(5 170 500)	-
Licences - Indefinite life	300 000	-	300 000	300 000	-	300 000
Total	7 707 059	(6 744 527)	962 532	7 347 059	(6 497 889)	849 170

Reconciliation of intangible assets - 2016

	Opening carrying value	Additions	Amortisation	Total
Computer software	549 170	360 000	(246 638)	662 532
Licences - Indefinite life	300 000	-	-	300 000
	849 170	360 000	(246 638)	962 532

Reconciliation of intangible assets - 2015

	Opening carrying value	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

Assessment of Indefinite life

The Communications Network Services (ECNS) licences were acquired from external parties, and are not limited to use over a specific period. 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 on Goodwill, also forming part of the annual impairment assessment.

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7. Deferred tax

Deferred tax assets/ (liabilities)

Allowance for doubtful debt	350 413	225 633
Staff bonus accrual	53 368	83 445
Lease smoothing	56 560	14 841
Prepayments	(1 346 810)	(36 679)
Employee related accruals	331 673	230 441
Tax losses available for set off against future taxable income	1 484 675	1 178 900
Intangible assets - ICASA Licences	(84 000)	(84 000)
	<u>845 879</u>	<u>1 612 581</u>

Reconciliation of deferred tax asset/(liability) movements

At beginning of the year	1 612 581	2 534 222
Assessed losses	305 775	(1 069 975)
Originating temporary difference on lease smoothing	41 719	14 841
Originating temporary difference on employee related accruals	101 232	55 983
Originating temporary difference on the allowance for doubtful debt	124 780	(8 209)
Originating (Reversing) temporary difference on prepayments	(1 310 131)	2 274
Originating temporary difference on staff bonus accrual	(30 077)	83 445
	<u>845 879</u>	<u>1 612 581</u>

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	<u>633 165</u>	<u>384 888</u>
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The inventory is disclosed at the lower of cost or net realisable value with write downs recognised through profit and loss where relevant.

9. Trade and other receivables

Trade receivables	10 490 666	9 594 086
Allowance for doubtful debt	(1 668 633)	(1 074 443)
Deposits	377 926	376 927
Value Added Tax receivable	2 151 385	1 169 055
Accruals for revenue invoiced in arrears	4 442 393	4 372 148
Prepayments	4 810 038	270 116
Other receivables	608 517	23 401
	<u>21 212 292</u>	<u>14 731 290</u>

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 (2015: 36 days). No interest is charged on trade and other receivables.

Accruals relate to revenue accrued at year end invoiced subsequent to year end. Prepayments include commissions prepaid to sales and marketing personnel in the amount of R4.6 million as at year end.

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9. Trade and other receivables (continued)

Trade and other receivables past due but not impaired

As at 30 June 2016, the following debtors receivable were past due but not impaired. Management is certain these receivables which are overdue but not impaired as below are recoverable.

1 month past due	763 900	1 066 861
2 months past due	332 291	172 742
3 months past due	7 725 843	7 280 040
	<u>8 822 034</u>	<u>8 519 643</u>

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

Reconciliation of allowance for doubtful debt

Opening balance	1 074 443	1 113 534
Allowance for impairment	1 025 800	501 371
Reversal of allowance previously raised	(431 610)	(540 462)
	<u>1 668 633</u>	<u>1 074 443</u>

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

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	8 178	5 344
Bank balances	3 198 057	6 794 789
Short-term deposits	408 478	379 896
Bank overdraft	(71 241)	(58 879)
	<u>3 543 472</u>	<u>7 121 150</u>
Current assets	3 614 713	7 180 029
Current liabilities	(71 241)	(58 879)
	<u>3 543 472</u>	<u>7 121 150</u>

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

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11. Share capital

Authorised

500 000 000 Ordinary shares of R0.0001	50 000	50 000
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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)
	<u>48 059</u>	<u>48 059</u>

Reconciliation of number of shares issued

At the beginning of the year	42 000 000	42 000 000
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458 000 000 unissued ordinary shares are under the control of the directors subject to the provisions of the Companies Act and the JSE Listings Requirements. Shares in issue are fully paid up.

12. Finance lease obligation

Minimum lease payments due

- within one year	2 131 886	1 144 553
- in second to fifth year inclusive	3 952 343	677 509
	<u>6 084 229</u>	<u>1 822 062</u>
less: future finance charges	(998 501)	(160 769)
Present value of minimum lease payments	<u>5 085 728</u>	<u>1 661 293</u>

Present value of minimum lease payments due

- within one year	2 434 603	1 075 518
- in second to fifth year inclusive	2 651 125	585 775
	<u>5 085 728</u>	<u>1 661 293</u>

Non-current liabilities	2 651 125	585 775
Current liabilities	2 434 603	1 075 518
	<u>5 085 728</u>	<u>1 661 293</u>

It is the 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 10.2% to 11.5% (2015: 8.0% to 9.5%). Interest rates are linked to prime at the contract date. All finance lease liabilities have fixed repayments and no arrangements have been entered into for contingent rent. The group's obligations under finance lease liabilities are secured by the lessor's charge over the financed assets, as disclosed in note 4.

13. Deferred income

Deferred income comprises profit from various sale and leaseback transactions entered into between the group and Kumkani Finance Proprietary Limited for equipment and the corresponding revenue streams, over a period varying from 36 to 60 months accruing interest at a fixed rate between 18% and 29% over the period. The deferred profit on these sale and leaseback transactions are deferred over the term of the lease agreement.

Non-current liabilities	722 541	-
Current liabilities	260 329	-
	<u>982 870</u>	<u>-</u>

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14. Other financial liabilities

Held at amortised cost

Maison D'Obsession Trust	2 494 721	3 600 000
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The above loan is unsecured, interest free and repayable on demand.

The carrying value of other financial liabilities equal their fair value as these liabilities are repayable on demand.

Current liabilities

At amortised cost	2 494 721	3 600 000
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15. Trade and other payables

Trade payables	2 591 176	1 646 611
Shareholders dividend payable	236 689	445 780
Accruals	4 518 619	2 562 172
Accrued leave pay	938 004	823 006
Operating lease liability	201 938	53 004
Deposits received	456 081	449 581
Employee related payable	556 742	248 700
Staff bonus accrual	190 629	298 015
	<u>9 689 878</u>	<u>6 526 869</u>

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

16. Revenue

Services provided	104 733 255	97 757 109
Sale of goods	692 981	358 510
	<u>105 426 236</u>	<u>98 115 619</u>

17. Operating profit

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

Operating lease charges

Premises		
• Contractual amounts	1 408 895	1 386 395
Equipment		
• Contractual amounts	833 923	290 401
	<u>2 242 818</u>	<u>1 676 796</u>

Loss/ (Profit) on sale of property, plant and equipment	16 927	(5 969)
Audit fees	560 000	500 000
Amortisation on intangible assets	246 638	392 772
Depreciation on property, plant and equipment	3 427 682	2 965 985
Employee costs	19 014 134	15 760 645
	<u></u>	<u></u>

18. Investment revenue

Interest revenue

Banks and other financial institutions	452 318	399 743
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19. Finance costs

Banks and financial institutions	45 520	1 385
Finance lease liabilities	332 017	242 946
	<u>377 537</u>	<u>244 331</u>

20. Taxation

Major components of the tax expense

Current

Local income tax - recognised in current tax for prior periods	33 125	-
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Deferred

Deferred tax relating to the origination and reversal of temporary differences - refer to note 7	766 702	921 641
	<u>799 827</u>	<u>921 641</u>

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Accounting profit	<u>2 813 084</u>	<u>3 673 807</u>
Tax at the applicable tax rate of 28% (2015: 28%)	787 664	1 028 666
Tax effect of adjustments on taxable income		
Non-deductible expenditure	8 960	43 189
Non-taxable income	(29 922)	(150 214)
Underprovision of previous period taxation	33 125	-
	<u>799 827</u>	<u>921 641</u>

21. Cash (used in) generated from operations

Profit before taxation	2 813 084	3 673 807
Adjustments for:		
Depreciation	3 427 682	2 965 985
Loss/(Profit) on sale of property, plant and equipment	16 927	(5 969)
Investment revenue	(452 318)	(399 809)
Finance costs	377 537	244 331
Deferred income amortised	(77 790)	-
Amortisation	246 638	392 772
Inventory written off	-	66 722
Changes in working capital:		
Inventories	(248 277)	(124 341)
Trade and other receivables	(7 086 279)	1 089 899
Trade and other payables	2 953 917	549 222
Deferred income	982 870	-
	<u>2 953 991</u>	<u>8 452 619</u>

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22. Directors' emoluments

Executive

2016

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

2015

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

Non-executive

2016

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

2015

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

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

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23. Earnings per share

	Period ended 30 June 2016	Period ended 30 June 2015
Earnings per share (cents)	4.79	6.55
Diluted earnings per share (cents)	4.79	6.55
Headline earnings per share (cents)	4.82	6.54

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

Earnings used in the calculation of basic and diluted earnings per share	R	R
Profit attributable to shareholders of the group	<u>2 013 257</u>	<u>2 752 166</u>
Reconciliation between earnings per share and headline earnings per share		
Profit attributable to shareholders of the group	2 013 257	2 752 166
Adjusted for:		
Loss/(Gain) on the disposal of plant and equipment net of tax	<u>12 187</u>	<u>(5 969)</u>
	<u>2 025 444</u>	<u>2 746 197</u>

Weighted number of ordinary shares outstanding:

	Number of shares issued	Weighted average number of shares
Shares as at 30 June 2016	42 000 000	42 000 000
Shares as at 30 June 2015	42 000 000	42 000 000

24. Dividend per share

Dividends per share	Period ended 30 June 2016	Period ended 30 June 2015
Dividends declared from retained earnings	<u>1 260 000</u>	<u>2 520 000</u>
Total dividends declared	<u>1 260 000</u>	<u>2 520 000</u>
Shares in issue	42 000 000	42 000 000
Dividends per share (DPS - cents)	3.00	6.00

TeleMasters Holdings Limited

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Consolidated Annual Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Annual Financial Statements

25. Related parties

Relationships

Subsidiary	SkyCall Networks (Pty) Ltd
Members of key management	Brandon Rodney Topham Mario Bronn Pretorius Magda van der Walt
Non-executive directors	Marthinus Gerhardus Erasmus Jaco Voigt Daniel Stephen Van der Merwe
Entity in which a member of key management and non-executive directors have beneficial interest Brandon Rodney Topham	TAG Consulting (Pty) Ltd TAG Business Advisors (Pty) Ltd SEESA (Pty) Ltd BRAT Trust
Mario Bronn Pretorius	Snowy Owl Properties 82 (Pty) Ltd Telemasters (Pty) Ltd Maison D' Obsession Trust
Marthinus Gerhardus Erasmus	Arbor Capital Corporate Finance (Pty) Ltd Arbor Capital Company Secretarial (Pty) Ltd
Jaco Voigt	Perfect Worx Consulting (Pty) Ltd Contineo Virtual Communications (Pty) Ltd

Related party balances

Loan accounts - Owing to major shareholder		
Maison D' Obsession Trust	(2 494 721)	(3 600 000)
Amounts included in Trade Payables regarding related parties		
SEESA (Pty) Ltd	-	3 979
Tag Consulting (Pty) Ltd	5 000	-
TAG Business Advisors (Pty) Ltd	-	36 822
Amounts included in Trade Receivables from major shareholders		
Telemasters (Pty) Ltd	-	808 104
Snowy Owl Properties 82 (Pty) Ltd	130 995	130 995

TeleMasters Holdings Limited

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Consolidated Annual Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Annual Financial Statements

25. Related parties (continued)

Related party transactions

Cost of sales paid to various suppliers

Perfectworx Consulting (Pty) Ltd	2 055 878	1 800
Contineo Virtual Communications (Pty) Ltd	3 662 583	70 543
Telemasters (Pty) Ltd	210 526	842 149

Rent paid to major shareholder

Snowy Owl Properties 82 (Pty) Ltd	1 378 895	1 378 895
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Consulting fees paid to administrative services supplier

SEESA (Pty) Ltd	-	108 342
TAG Business Advisors (Pty) Ltd	133 663	375 369
BRAT Trust	33 465	2 100
Arbor Capital Company Secretarial (Pty) Ltd	120 000	250 800
TAG Consulting (Pty) Ltd	317 750	-

Sales to related entity of major shareholder

TAG Business Advisors (Pty) Ltd	20 215	25 388
Telemasters (Pty) Ltd	380 417	-

Compensation to key management*

Magda van der Walt	864 000	920 846
Short-term employee benefits – Executive directors	1 463 396	1 463 396

*Directors emoluments have been disclosed in note 22 to the consolidated annual financial statements. Refer to note 32 where the major shareholders are listed.

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

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

TeleMasters Holdings Limited

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Consolidated Annual Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Annual Financial Statements

26. Risk management

Financial instrument risk exposure and management

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

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

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

- Trade and other receivables;
- Cash and cash equivalents;
- Other financial liabilities;
- Trade and other payables; and
- Bank overdraft;

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

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

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

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

Procedures for avoiding excessive concentration of risk include:

- Maintaining a wide customer base;
- Continually looking for opportunities to expand the customer base;
- Reviewing current developments in technology in order to identify any product line which may increase margins in the future;
- Subjecting all customers 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.

TeleMasters Holdings Limited

(Registration number 2006/015734/06)

Consolidated Annual Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Annual Financial Statements

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.

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

Contractual maturity analysis - 30 June 2016

	Payable within one year or on demand	Payable within 2 to 5 years
Trade and other payables	9 689 878	-
Bank overdraft	71 241	-
Finance lease liabilities	2 434 603	2 651 125
Other financial liabilities	2 494 721	-

Contractual maturity analysis - 30 June 2015

	Payable within one year or on demand	Payable within 2 to 5 years
Trade and other payables	6 526 869	-
Bank overdraft	58 879	-
Finance lease liabilities	1 075 518	585 775
Other financial liabilities	3 600 000	-

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 group's policy that all customers be subjected to a credit verification procedure before agreements are entered into. In addition, the trade debtors' age analysis is reviewed weekly with the intention of minimising the group's exposure to bad debts.

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

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

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

Should the need arise it would be the group's policy to take collateral. Collateral has been obtained in respect of a receivable balance in the form of security over the issued shares of the client. Trade receivables that are neither past due nor impaired are considered to be of high credit quality accompanied by an insignificant default rate.

Debts that are past due are impaired based on evidence of the factors cited above and in the accounting policy, after which either a specific or portfolio wide doubtful debt allowance is raised.

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.

TeleMasters Holdings Limited

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Consolidated Annual Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Annual Financial Statements

26. Risk management (continued)

Capital management

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

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

Market risk

Market risk arises from the group's use of variable interest rate finance lease liabilities and bank balances that are carried at amortised cost. It is the risk that the future cash flow of a financial instrument will fluctuate because of changes in interest rates. Future changes to the prime lending rates will have a direct impact on the future cash payments towards the settlement of the financial obligation. The risk remains un-hedged at the reporting date. Exposure to cash flow interest rate risk on financial assets and liabilities is monitored on a continuous basis.

Interest rates on finance lease liabilities are linked to the overdraft rate. The prime rate as at year end was 10% (2015:9.5%). The interest rates on finance lease liabilities vary from 10.2% to 11.5% (2015: 8.0% to 9.5%).

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

The group has used a sensitivity analysis technique that measures the estimated change to the 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 2016, for each class of financial instrument with all other variables remaining constant. The calculations were done with reference to the outstanding financial liability and financial asset balances for the year. This represents no change from the prior period in the method and assumptions used. This analysis is for illustrative purposes only and represents management's best estimate.

	Impact on post tax profit in Rand	
	30 June 2016	30 June 2015
Before tax effect on profit or loss of a 1% change (increase or decrease) in the South African lending rate		
Cash and cash equivalents	36 147	71 800
Bank overdraft	712	588
Variable rate finance lease liabilities	41 495	16 612

TeleMasters Holdings Limited

(Registration number 2006/015734/06)

Consolidated Annual Financial Statements for the year ended 30 June 2016

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:

2016

	Loans and receivables held at amortised cost	Total
Trade and other receivables	18 682 982	18 682 982
Cash and cash equivalents	3 614 713	3 614 713
	22 297 695	22 297 695

2015

	Loans and receivables held at amortised cost	Total
Trade and other receivables	13 185 311	13 185 311
Cash and cash equivalents	7 180 029	7 180 029
	20 365 340	20 365 340

28. Financial liabilities by category

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

2016

	Financial liabilities at amortised cost	Total
Finance lease obligations	5 085 728	5 085 728
Other financial liabilities	2 494 721	2 494 721
Trade and other payables	9 689 878	9 689 878
Bank overdraft	71 241	71 241
	17 341 568	17 341 568

2015

	Financial liabilities at amortised cost	Total
Finance lease obligations	1 661 293	1 661 293
Other financial liabilities	3 600 000	3 600 000
Trade and other payables	6 526 869	6 526 869
Bank overdraft	58 879	58 879
	11 847 041	11 847 041

TeleMasters Holdings Limited

(Registration number 2006/015734/06)

Consolidated Annual Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Annual Financial Statements

29. Commitments for expenditure

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

	Year ended 30 June 2016	Year ended 30 June 2015
Minimum operating lease payments under non cancelable leases due		
- Within one year	2 361 285	960 047
- Within two to five years	1 887 659	-

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

30. Subsequent events

The directors are unaware of any other significant events that have occurred between the end of the financial year and the date of this report that may materially affect the group's results for the period under review or its financial position as at 30 June 2016.

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 year end	% Holdings	No. of shareholders	No. of shares
Shareholder:			
Maison D'Obsession Trust - CEO Beneficial interest	85	1	35 700 000
Directors	2	2	847 958
Public and staff with no restrictions on dealings	13	240	5 452 042
	100	243	42 000 000

33. Contingencies

The group is currently involved in the following legal proceedings:

The group 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 listed shares held against the debt owed to the group in excess of the R4.1 million outstanding receivable. The previous client has lodged a counter claim against the group for a similar amount as the claim the group has against them. The matter has been referred for arbitration and no further progress has been made due to the technical nature thereof.

The group is also involved in further litigation with a previous service provider in the amount of R1.4 million due mainly to contractual disputes surrounding historic billings, and the validity thereof.

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

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

TeleMasters Holdings Limited

(Registration number 2006/015734/06)

Consolidated Annual Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Annual Financial Statements

34. Investments in subsidiaries

Name of company	Place of operation	% holding 2016	% holding 2015
SkyCall Networks (Pty) Ltd	South Africa	100.00 %	100.00 %

The total comprehensive income of the subsidiary during the financial year ended 30 June 2016 amounted to R 939 606 (2015: R 2 881 152). No restrictions on the ability to access or use the assets or liabilities of the subsidiary exist.

35. Reclassifications

The restatement of the 2015 consolidated annual financial statement was identified following the Johannesburg Stock Exchange's ("JSE") pro-active monitoring process whereby the Company's 2015 Annual Financial Statements were selected for review. This restatement is as a result of an error in the interpretation of IAS 7 relating to the cash flows of instalment sale agreements classified as capitalised finance leases.

Consolidated Statement of Cash Flow	Original disclosure as at 30 June 2015	Corrected disclosure as at 30 June 2015	Correction effect if published
Cash flow from investing activities			
Property, plant and equipment acquired	(3 729 199)	(3 497 790)	231 408
Cash flow from financing activities			
Proceeds from finance lease and other financial liabilities	935 115	703 706	(231 408)

TeleMasters Holdings Limited
(Registration number 2006/015734/06)
Annual financial statements
for the year ended 30 June 2016

These annual financial statements were prepared by:
Brandon Topham CA (S.A.)

These annual financial statements have been audited in compliance with the applicable requirements of the
Companies Act of South Africa
(Nr: 71 of 2008)

TeleMasters Holdings Limited

(Registration number 2006/015734/06)

Annual Financial Statements for the year ended 30 June 2016

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	Mario Bronn Pretorius Brandon Rodney Topham Marthinus Gerhardus Erasmus Daniel Stephen Van Der Merwe Jaco Voigt
Registered office	90 Regency Street Route 21 Corporate Park Irene 0157
Business address	90 Regency Street Route 21 Corporate Park Irene 0157
Postal address	P.O. Box 68255 Highveld Park Irene 0169
Bankers	First National Bank
Auditors	Nexia SAB&T Chartered Accountants (S.A.) Registered Auditors
Company registration number	2006/015734/06
Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.
Secretary	TAG consulting (Pty) Ltd
Tax reference number	9683978143
Preparer	The annual financial statements were internally compiled by: Brandon Topham CA (S.A.)
VAT registration number	4550231056

TeleMasters Holdings Limited

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Annual Financial Statements for the year ended 30 June 2016

Index

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

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TeleMasters Holdings Limited

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Annual Financial Statements for the year ended 30 June 2016

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 annual financial statements and related financial information included in this report. It is their responsibility to ensure that the 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 annual financial statements.

The 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 directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the 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.

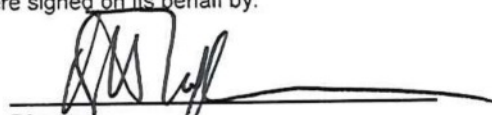
The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial 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 annual financial statements have been audited by the independent auditing firm, Nexia SAB&T, who have been given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditor during the audit were valid and appropriate. The external auditors' report is presented on page 7.

The annual financial statements set out on pages 8 to 40, which have been prepared on the going concern basis, were approved by the directors on 30 September 2016 and were signed on its behalf by:


Director


Director

TeleMasters Holdings Limited

(Registration number 2006/015734/06)

Annual Financial Statements for the year ended 30 June 2016

Directors' Report

The directors have the pleasure in presenting their report on the company's activities for the year ended 30 June 2016.

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 company 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.

The company'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:

Net profit of the company was R 10 073 651 (2015: R 128 987 loss), after taxation expense of R 434 449 (2015: R 198 804).

2. Going concern

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

3. Events after the reporting period

The directors are unaware of any significant adjusting or disclosable events that have occurred between the end of the financial year and the date of this report that may materially affect the Company's results for the period under review or its financial position as at 30 June 2016.

4. Authorised and issued share capital

The company's authorised and issued share capital as at 30 June 2016 is set out in note 12 of these consolidated annual financial statements.

As at 30 June 2016, 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. 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.

6. Non-current assets

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

TeleMasters Holdings Limited

(Registration number 2006/015734/06)

Annual Financial Statements for the year ended 30 June 2016

Directors' Report

7. Dividends

The following dividends were declared for the year:

- A cash dividend of 1 cent per share which was paid to shareholders recorded in the company's share register at the close of business on 23 October 2015;
- A cash dividend of 1 cent which was paid to shareholders recorded in the company's share register at the close of business on 29 January 2016;
- A cash dividend of 0.5 cent which was paid to shareholders recorded in the company's share register at the close of business on 13 May 2016; and
- A cash dividend of 0.5 cent which was paid to shareholders recorded in the company's share register at the close of business on 22 July 2016.

The Board remains committed to the policy of quarterly dividends.

During the comparative year ended 30 June 2015, the company declared four dividends totalling six cents per share.

8. Litigation

The company is currently involved in the following legal proceedings:

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 listed shares held against the debt owed to the company in excess of the R4.1 million outstanding receivables. The previous client has lodged a counter claim against the company for a similar amount to the claim the company has against them. The matter has been referred for arbitration and no further progress has been made due to the technical nature thereof.

The company is also involved in further litigation with a previous service provider in the amount of R1.4 million due mainly to contractual disputes surrounding historic billings, and the validity thereof.

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

Other than that disclosed above, there are currently no legal or related proceedings against the company, of which the Board is aware, which may have or have had in the 12 months preceding the date of this report, a material effect on the company.

9. Directors

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

Name	Designation
Mario Bronn Pretorius	Chief Executive Officer
Brandon Rodney Topham	Chief Financial Officer
Marthinus Gerhardus Erasmus	Non-Executive Director
Daniel Stephen Van Der Merwe	Independent Non-Executive Director
Jaco Voigt	Non-Executive Director

10. Secretary

During the current financial period, the company secretarial services were provided by TAG Consulting (Pty) Ltd.

Business address

100A Club Avenue
Waterkloof Ridge
Pretoria
0181

TeleMasters Holdings Limited

(Registration number 2006/015734/06)

Annual Financial Statements for the year ended 30 June 2016

Directors' Report

11. Major shareholders

Details of the major shareholders are provided in note 34 of the Annual Financial Statements.

12. Special resolutions

At the company's annual general meeting held on 4 March 2016, the following special resolutions were passed:

- Directors remuneration for the year commencing from 1 July 2015 was approved by the shareholders; and
- A general authority to enter into funding agreements, provide loans or other financial assistance in terms of Sections 44 and 45 of the Companies Act of South Africa was granted.

13. Interest of directors and officers in the company securities

The interests of directors and officers in the company's securities as at 30 June 2016 are as follows:

Number of shares	2016	2015
Direct:		
Daniel Stephen van der Merwe	214 730	214 730
Indirectly and beneficially:		
Brandon Rodney Topham	633 228	633 228
Mario Bronn Pretorius	35 700 000	35 700 000

Share dealings during the financial year

Shares acquired indirectly and beneficially:

Brandon Rodney Topham	-	1 000
Daniel Stephen van der Merwe	-	66 021

14. Auditors

Nexia SAB&T acted as the company's auditors for the period ended 30 June 2016 and will be nominated to 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 company's Audit and Risk Committee.

15. 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.

16. 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, similar to that of its parent. The total comprehensive income of the subsidiary during the financial period ended 30 June 2016 amounted to R 939 606 (2015: R 2 881 152).

Independent Auditor's Report

To the Shareholders of TeleMasters Holdings Limited

We have audited the annual financial statements of TeleMasters Holdings Limited, set out on pages 8 to 40, which comprise the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of 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 annual financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these 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 annual financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the 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 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 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, the annual financial statements present fairly, in all material respects, the financial position of the TeleMasters Holdings Limited as at 30 June 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the annual financial statements for the year ended 30 June 2016, we have read the Directors' Report, for the purpose of identifying whether there are material inconsistencies between the report and the annual audited financial statements. The report is the responsibility of the respective preparer. Based on reading the report we have not identified material inconsistencies between the report and the audited financial statements. However, we have not audited the report and accordingly do not express an opinion on the report.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 04 December 2015, we report that Nexia SAB&T has been the auditor of TeleMasters Holdings Limited for 5 years.

Nexia SAB&T

Nexia SAB&T
Registered Auditors

Per: T.J. de Kock - Director

119 Witch Hazel Avenue, Highveld Technopark, Centurion, Pretoria
30 September 2016

TeleMasters Holdings Limited

(Registration number 2006/015734/06)

Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015
Assets			
Non-Current Assets			
Property, plant and equipment	4	21 267 273	16 476 112
Intangible assets	5	662 532	549 170
Investment in subsidiary	6	1 800 000	1 800 000
Deferred tax	7	849 493	1 250 817
		<u>24 579 298</u>	<u>20 076 099</u>
Current Assets			
Inventories	8	633 165	384 888
Current tax receivable		-	33 126
Trade and other receivables	9	20 714 474	13 571 068
Cash and cash equivalents	10	3 496 197	7 103 742
		<u>24 843 836</u>	<u>21 092 824</u>
		<u>49 423 134</u>	<u>41 168 923</u>
Total Assets			
Equity and Liabilities			
Equity			
Share capital	12	48 059	48 059
Retained income		31 096 452	22 282 801
		<u>31 144 511</u>	<u>22 330 860</u>
Liabilities			
Non-Current Liabilities			
Finance lease obligation	13	2 651 125	585 775
Deferred income	14	722 541	-
		<u>3 373 666</u>	<u>585 775</u>
Current Liabilities			
Loans from group companies	15	1 388 487	5 613 487
Other financial liabilities	16	2 494 721	3 600 000
Finance lease obligation	13	2 434 603	1 075 518
Trade and other payables	17	8 255 576	7 904 404
Deferred income	14	260 329	-
Bank overdraft	10	71 241	58 879
		<u>14 904 957</u>	<u>18 252 288</u>
		<u>18 278 623</u>	<u>18 838 063</u>
Total Liabilities		<u>49 423 134</u>	<u>41 168 923</u>
Total Equity and Liabilities		<u>49 423 134</u>	<u>41 168 923</u>

TeleMasters Holdings Limited

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Annual Financial Statements for the year ended 30 June 2016

Statement of Comprehensive Income

Figures in Rand	Note(s)	2016	2015
Revenue	19	105 706 011	98 115 619
Cost of sales		(70 642 949)	(73 316 406)
Gross profit		35 063 062	24 799 213
Other income		503 496	1 780 131
Operating expenses		(34 133 438)	(27 063 653)
Operating profit (loss)	20	1 433 120	(484 309)
Investment revenue	21	9 452 258	399 678
Finance costs	22	(377 278)	(243 160)
Profit (loss) before taxation		10 508 100	(327 791)
Taxation	23	(434 449)	198 804
Profit (loss) for the year		10 073 651	(128 987)
Other comprehensive income		-	-
Total comprehensive income (loss) for the year		10 073 651	(128 987)

TeleMasters Holdings Limited

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Annual Financial Statements for the year ended 30 June 2016

Statement of Changes in Equity

Figures in Rand	Share capital	Share premium	Total share capital	Retained income	Total equity
Balance at 01 July 2014	4 200	43 859	48 059	24 931 788	24 979 847
Loss for the year	-	-	-	(128 987)	(128 987)
Other comprehensive income	-	-	-	-	-
Total comprehensive Loss for the year	-	-	-	(128 987)	(128 987)
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 01 July 2015	4 200	43 859	48 059	22 282 801	22 330 860
Profit for the year	-	-	-	10 073 651	10 073 651
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	10 073 651	10 073 651
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 30 June 2016	4 200	43 859	48 059	31 096 452	31 144 511
Note(s)	12	12	12		

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Annual Financial Statements for the year ended 30 June 2016

Statement of Cash Flows

Figures in Rand	Note(s)	2016	2015 Restated
Cash flows from operating activities			
Cash (used in) generated from operations	24	(1 313 438)	5 776 673
Investment revenue		-	-
Finance costs		(377 277)	(243 160)
Net cash from operating activities		(1 690 715)	5 533 513
Cash flows from investing activities			
Purchase of plant and equipment	4	(3 746 505)	(3 415 970)
Proceeds on sale of property, plant and equipment		188 333	212 550
Purchase of other intangible assets	5	(360 000)	-
Proceeds from loans from group companies		15 940 000	13 963 000
Repayment of loans from group companies		(11 715 000)	(11 286 098)
Investment revenue		452 258	399 678
Net cash from investing activities		759 086	(126 840)
Cash flows from financing activities			
Repayment of other financial liabilities		(500 000)	(1 000 000)
Finance lease payments		(719 187)	(2 422 102)
Finance lease receipts		-	703 706
Dividends paid		(1 469 091)	(2 520 000)
Net cash from financing activities		(2 688 278)	(5 238 396)
Total cash movement for the year		(3 619 907)	168 277
Cash at the beginning of the year		7 044 863	6 876 586
Total cash at end of the year	10	3 424 956	7 044 863

TeleMasters Holdings Limited

(Registration number 2006/015734/06)

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (IFRS), and its interpretations adopted by the International Accounting Standards Board (IASB) and financial reporting guides issued by the accounting practices of the South African Institute of Chartered Accountants and the requirements of the Companies Act of South Africa and the Listing Requirements of the JSE Limited.

Basis of preparation

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

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

1.1 Significant judgements and sources of estimation uncertainty

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

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

Trade receivables

The company 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 company makes judgements as to whether there is objective evidence indicating a measurable decrease in the estimated future cash flows from a individual debtors account. Where objective evidence of impairment exist, future cash flows expected to be collected are projected after taking into account market conditions and the credit risk profile of the trade debtors. The present value of these cash flows, determined using the asset's original effective interest rate, is compared to the carrying amount of the trade receivable and, if lower, the trade receivables are impaired to the present value.

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 company 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 company 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 realise 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.

Inventory

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 the direct cost to sell the inventory items to certain inventory items in order to test the net realisable value thereof.

TeleMasters Holdings Limited

(Registration number 2006/015734/06)

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

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

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 company 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.

Impairment of tangible and intangible assets

The company 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 in respect 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 company 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.

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Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.2 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 depreciable amount of assets, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed annually, with the effect of any changes in estimate accounted for on a prospective basis. The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

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

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

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

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
Sale and leaseback	term of the lease agreement

1.3 Intangible assets

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

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

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

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

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

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Accounting Policies

1.4 Impairment of tangible and intangible assets

At each reporting date, the company 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 company 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.

1.5 Financial instruments

General

The company 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, are initially measured at fair value, net of transaction costs.

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Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.5 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 initially measured at fair value and subsequently 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, and the fair value reasonably equals the carrying value.

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 company'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 initially measured at fair value and subsequently measured at amortised cost.

The company 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.

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Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.5 Financial instruments (continued)

Financial liabilities

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

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

1.6 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 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 company 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 company 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 company intends to settle its current tax assets and liabilities on a net basis.

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Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.6 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 company'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.

1.7 Leases

Finance 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 company 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.

Sale and leaseback transactions

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

Operating leases – lessee

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

Any contingent rents are expensed in the period they are incurred.

TeleMasters Holdings Limited

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Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.8 Employee benefits

Short-term employee benefits

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

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

1.9 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 company 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.

1.10 Borrowing costs

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

1.11 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.

1.12 Related parties

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

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Accounting Policies

1.13 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.

1.14 Fair value measurement hierarchy

The fair value measurement of the company'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.

1.15 Statement of cash flow

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

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Figures in Rand

2016

2015

2. Segment report

IRS 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 company.

As a result the company does not have different operating segments. The business is conducted in South Africa and is managed centrally and has no branches. The company is managed as one operating unit.

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

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

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3. New Standards and Interpretations

3.1 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 2016 or later periods.

The expected financial impact pertaining to the following standards and interpretations should not be significant based on management's initial 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
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. - IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and their cash flow characteristics. A new business model was introduced which does allow certain financial assets to be categorised as "fair value through other comprehensive income" in certain circumstances. The requirements for financial liabilities are mostly carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk. The new model introduces a single impairment model being applied to all financial instruments, as well as an "expected credit loss" model for the measurement of financial assets. IFRS 9 contains a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity, in addition enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements. IFRS 9 carries forward the derecognition requirements of financial assets and liabilities from IAS 39.	1 January 2018

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3. New Standards and Interpretations (continued)

IFRS 10 Consolidated Financial Statements	<p>- 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.</p> <p>- 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.</p>	1 January 2016	
IFRS 12 Disclosure of Interests in Other Entities	<p>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.</p>	1 January 2016	The effective date of this amendment has been deferred indefinitely until further notice.
IFRS 15 Revenue from Contracts from Customers	<p>- 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.</p> <p>- 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.</p> <p>The new standard supersedes, IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31.</p>	1 January 2018	

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3. New Standards and Interpretations (continued)

IFRS 16 Leases

New standard that introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows. IFRS 16 contains expanded disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.

IFRS 16 supersedes IAS 17 and IFRC 4, SIC 15 and SIC 27.

1 January 2019

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

IAS 7 Statement of Cash flows

Disclosure Initiative: Amendments requiring entities to disclose information about changes in their financing liabilities. The additional disclosures will help investors to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as foreign exchange gains or losses).

1 January 2017

IAS 12 Income Taxes

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12):

Narrow-scope amendment to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.

1 January 2017

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3. New Standards and Interpretations (continued)

IAS 16 Property, Plant and Equipment	- 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
IAS 27 Consolidated and Separate Financial Statements	- 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. 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

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4. Property, plant and equipment

	2016			2015		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	673 082	(448 412)	224 670	636 482	(361 227)	275 255
Motor vehicles	1 015 473	(581 563)	433 910	1 520 728	(704 914)	815 814
Office equipment	241 281	(159 582)	81 699	225 396	(139 229)	86 167
IT equipment	1 539 051	(825 482)	713 569	1 228 230	(658 251)	569 979
Routers and handsets	45 840 541	(26 027 116)	19 813 425	37 817 745	(23 088 848)	14 728 897
Total	49 309 428	(28 042 155)	21 267 273	41 428 581	(24 952 469)	16 476 112

Reconciliation of property, plant and equipment - 2016

	Opening carrying value	Additions	Disposals	Depreciation	Total
Furniture and fixtures	275 255	36 600	-	(87 185)	224 670
Motor vehicles	815 814	-	(205 260)	(176 644)	433 910
Office equipment	86 167	15 885	-	(20 353)	81 699
IT equipment	569 979	310 819	-	(167 229)	713 569
Routers and handsets	14 728 897	8 022 795	-	(2 938 267)	19 813 425
	16 476 112	8 386 099	(205 260)	(3 389 678)	21 267 273

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	(173 381)	(166 439)	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	14 125 179	3 158 561	(33 200)	(2 521 643)	14 728 897
	15 885 297	3 713 984	(206 581)	(2 916 588)	16 476 112

Carrying value of plant and equipment pledged as security

Carrying value of assets pledged as security:

Motor vehicles	331 846	815 814
Routers and handsets	2 080 162	1 006 249
Total	2 412 008	1 822 063

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

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

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5. Intangible assets

	2016			2015		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	2 236 559	(1 574 027)	662 532	1 876 559	(1 327 389)	549 170
Customer bases	5 170 500	(5 170 500)	-	5 170 500	(5 170 500)	-
Total	7 407 059	(6 744 527)	662 532	7 047 059	(6 497 889)	549 170

Reconciliation of intangible assets - 2016

	Opening carrying value	Additions	Amortisation	Total
Computer software	549 170	360 000	(246 638)	662 532

Reconciliation of intangible assets - 2015

	Opening balance	Amortisation	Total
Computer software	756 317	(207 147)	549 170
Customer bases	185 625	(185 625)	-
	941 942	(392 772)	549 170

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 company. They have no further expected remaining amortisation periods.

6. Investment in subsidiary

Name of company	% holding 2016	% holding 2015	Carrying amount 2016	Carrying amount 2015
SkyCall Networks (Pty) Ltd	100.00 %	100.00 %	1 800 000	1 800 000

The total comprehensive income of the subsidiary during the financial year ended 30 June 2016 amounted to R 939 606 (2015: R 2 881 152). No restrictions on the ability to access or use the assets or liabilities of the subsidiary exist.

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7. Deferred tax

Deferred tax asset (liabilities)

Allowance for doubtful debt	350 413	225 633
Prepayments	(1 346 810)	(36 679)
Employee related accruals	331 673	230 441
Tax losses available to set of against future profits	1 460 849	747 977
Staff bonus accrual	53 368	83 445
	<u>849 493</u>	<u>1 250 817</u>

Reconciliation of deferred tax asset (liability)

At beginning of the year	1 250 817	1 052 013
Assessed losses	712 872	65 311
Originating temporary difference on employee related accruals	101 232	55 983
Originating temporary difference on the allowance for doubtful debt	124 780	(8 209)
Originating (Reversing) temporary difference on prepayments	(1 310 131)	2 274
Originating temporary difference on staff bonus accrual	(30 077)	83 445
	<u>849 493</u>	<u>1 250 817</u>

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 Companys 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	633 165	384 888
	<u>633 165</u>	<u>384 888</u>

The inventory is disclosed at the lower of cost or net realisable value with write downs recognised through profit and loss where relevant.

9. Trade and other receivables

Trade receivables	10 756 777	8 996 738
Allowance for bad debts	(1 668 633)	(1 074 443)
Deposits	377 926	376 926
Value Added Tax receivable	1 387 456	606 185
Accruals for revenue invoiced in arrears	4 442 393	4 372 148
Prepayments	4 810 038	130 992
Other receivables	608 517	162 522
	<u>20 714 474</u>	<u>13 571 068</u>

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 (2015: 36 days). No interest is charged on trade and other receivables.

Accruals relate to revenue accrued at year end invoiced subsequent to year end. Prepayments include commissions prepaid to sales and marketing personnel in the amount of R4.6 million as at year end.

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9. Trade and other receivables (continued)

Trade and other receivables past due but not impaired

As at 30 June 2016, the following debtors receivable were past due but not impaired. Management is certain these receivables which are overdue but not impaired as below are recoverable.

1 month past due (60 days)	763 900	1 066 864
2 months past due (90 days)	332 291	172 742
3 months past due (120 days)	7 991 953	6 682 689
	<u>9 088 144</u>	<u>7 922 295</u>

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

Reconciliation of provision for impairment of trade and other receivables

Opening balance	1 074 443	1 113 534
Provision for impairment	1 025 800	501 371
Reversal of provision previously raised	(431 610)	(540 462)
	<u>1 668 633</u>	<u>1 074 443</u>

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

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	8 178	5 344
Bank balances	3 079 541	6 718 502
Short-term deposits	408 478	379 896
Bank overdraft	(71 241)	(58 879)
	<u>3 424 956</u>	<u>7 044 863</u>
Current assets	3 496 197	7 103 742
Current liabilities	(71 241)	(58 879)
	<u>3 424 956</u>	<u>7 044 863</u>

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

11. Financial assets by category

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

2016

	Loans and receivables held at amortised cost	Total
Trade and other receivables	18 949 092	18 949 092
Cash and cash equivalents	3 496 196	3 496 196
	<u>22 445 288</u>	<u>22 445 288</u>

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11. Financial assets by category (continued)

2015

	Loans and receivables held at amortised cost	Total
Trade and other receivables	12 587 957	12 587 957
Cash and cash equivalents	7 103 742	7 103 742
	<u>19 691 699</u>	<u>19 691 699</u>

12. Share capital

Authorised

500 000 000 Ordinary shares of R0.0001

50 000

50 000

Reconciliation of number of shares issued:

Reported as at the beginning of the year

42 000 000

42 000 000

Issued Share Capital

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

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.

13. Finance lease obligation

Minimum lease payments due

- within one year

2 131 886

1 144 553

- in second to fifth year inclusive

3 952 343

677 509

6 084 229

1 822 062

less: future finance charges

(998 501)

(160 769)

Present value of minimum lease payments

5 085 728

1 661 293

Present value of minimum lease payments due

- within one year

2 434 603

1 075 518

- in second to fifth year inclusive

2 651 125

585 775

5 085 728

1 661 293

Non-current liabilities

2 651 125

585 775

Current liabilities

2 434 603

1 075 518

5 085 728

1 661 293

It is the company'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 10.2% to 11.5% (2015: 8.0% to 9.5%). Interest rates are linked to prime at the contract date. All finance lease liabilities have fixed repayments and no arrangements have been entered into for contingent rent. The company's obligations under finance lease liabilities are secured by the lessor's charge over the financed assets, as disclosed in note 4.

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14. Deferred income

Deferred income comprises profit from various sale and leaseback transactions entered into between the company and Kumkani Finance Proprietary Limited for equipment and the corresponding revenue streams, over a period varying from 36 to 60 months accruing interest at a fixed rate between 18% and 29% over the period. The deferred profit on these sale and leaseback transactions are deferred over the term of the lease agreement.

Non-current liabilities	722 541	-
Current liabilities	260 329	-
	<u>982 870</u>	<u>-</u>

15. Loans from group companies

Subsidiaries

SkyCall Networks (Pty) Ltd	(1 388 487)	(5 613 487)
The loan is unsecured, interest free and has no fixed terms of repayment.	<u> </u>	<u> </u>

Fair value of loans to and from group companies

Loans from group companies	(1 388 487)	(5 613 487)
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The fair value of loan from group company approximates the carrying value of the loan due to the short term nature of the loan and as no fixed repayment terms exists.

16. Other financial liabilities

Held at amortised cost

Maison D'Obsession Trust	<u>2 494 721</u>	<u>3 600 000</u>
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The above loan is unsecured, interest free and repayable on demand.

The carrying value of other financial liabilities equal their fair value as these liabilities are repayable on demand.

Current liabilities

At amortised cost	<u>2 494 721</u>	<u>3 600 000</u>
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17. Trade and other payables

Trade payables	1 358 841	3 115 618
Shareholders for dividends	236 689	445 780
Accruals	4 518 619	2 523 704
Accrued leave pay	938 004	823 006
Deposits received	456 081	449 581
Employee related payables	556 742	248 700
Staff bonus accrual	190 600	298 015
	<u>8 255 576</u>	<u>7 904 404</u>

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.

18. Financial liabilities by category

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

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18. Financial liabilities by category (continued)

2016

	Financial liabilities at amortised cost	Total
Loans from group companies	1 388 487	1 388 487
Other financial liabilities	2 494 721	2 494 721
Trade and other payables	8 255 576	8 255 576
Bank overdraft	71 241	71 241
Finance lease obligations	5 085 728	5 085 728
	<u>17 295 753</u>	<u>17 295 753</u>

2015

	Financial liabilities at amortised cost	Total
Loans from group companies	5 613 487	5 613 487
Other financial liabilities	3 600 000	3 600 000
Trade and other payables	7 904 404	7 904 404
Bank overdraft	58 879	58 879
Finance lease obligations	1 661 293	1 661 293
	<u>18 838 063</u>	<u>18 838 063</u>

19. Revenue

Services provided	105 013 030	97 757 109
Sale of goods	692 981	358 510
	<u>105 706 011</u>	<u>98 115 619</u>

20. Operating profit (loss)

Operating profit (loss) for the year is stated after accounting for the following:

Operating lease charges

Premises		
• Contractual amounts	<u>1 408 895</u>	<u>1 386 395</u>
Loss/ (Profit) on sale of property, plant and equipment	16 927	(5 969)
Audit fees	560 000	500 000
Amortisation on intangible assets	246 638	392 772
Depreciation on property, plant and equipment	3 389 678	2 916 588
Employee costs	<u>19 014 134</u>	<u>15 760 645</u>

21. Investment revenue

Dividend revenue		
Subsidiaries - Local	<u>9 000 000</u>	<u>-</u>
Interest revenue		
Banks and other financial institutions	452 258	399 678
	<u>9 452 258</u>	<u>399 678</u>

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22. Finance costs

Finance leases	377 278	243 160
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23. Taxation

Major components of the tax expense (income)

Current

Local income tax - recognised in current tax for prior periods	33 126	-
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Deferred

Originating and reversing temporary differences	401 323	(198 804)
	434 449	(198 804)

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Accounting profit (loss)	10 508 100	(327 790)
Tax at the applicable tax rate of 28%% (2015: 28%%)	2 942 268	(91 781)
Tax effect of adjustments on taxable income	-	-
Non deductible expenditure	8 960	43 189
Non taxable income	(2 549 905)	(150 212)
Underprovision of previous period taxation	33 126	-
	434 449	(198 804)

24. Cash (used in) generated from operations

Profit before taxation	10 508 100	(327 791)
Adjustments for:		
Depreciation	3 389 678	2 916 588
Loss/(Profit) on sale of property, plant and equipment	16 927	(5 969)
Dividends received	(9 000 000)	-
Investment revenue	(452 258)	(399 678)
Finance costs	377 278	243 160
Amortisation	246 638	392 772
Inventory written off	-	66 772
Deferred income amortised	(77 790)	-
Changes in working capital:		
Inventories	(248 277)	(124 341)
Trade and other receivables	(7 407 776)	1 230 359
Trade and other payables	351 172	1 784 801
Deferred income	982 870	-
	(1 313 438)	5 776 673

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25. Directors' emoluments

Executive

2016

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

2015

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

Non-executive

2016

	Directors' fees	Company contributions and benefits	Total
Marthinus Gerhardus Erasmus	189 000	1 890	190 890
Daniel Stephen Van Der Merwe	252 200	10 509	262 709
Jaco Voigt	189 000	1 890	190 890
	630 200	14 289	644 489

2015

	Directors' fees	Company contributions and benefits	Total
Marthinus Gerhardus Erasmus	173 250	632	173 882
Daniel Stephen Van Der Merwe	252 200	12 145	264 345
Jaco Voigt	189 000	1 890	190 890
Vernon Beck (Resigned 30 June 2014)	15 750	158	15 908
	630 200	14 825	645 025

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

26. Dividends per share

Dividends per share

	Period ended 30 June 2016	Period ended 30 June 2015
Dividends declared from retained earnings	<u>1 260 000</u>	<u>2 520 000</u>
Total dividends declared	1 260 000	2 520 000
Shares in issue	42 000 000	42 000 000
Dividends per share (DPS - cents)	3	6

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27. Related parties

Relationships	
Subsidiaries	SkyCall Networks (Pty) Ltd
Members of key management	Brandon Rodney Topham Mario Bronn Pretorius Magda van der Walt
Non-executive directors	Marthinus Gerhardus Erasmus Jaco Voigt Daniel Stephen Van der Merwe
Entity in which a member of key management has beneficial interest or director	
Brandon Rodney Topham	TAG Consulting (Pty) Ltd TAG Business Advisors (Pty) Ltd SEESA (Pty) Ltd BRAT Trust
Mario Bronn Pretorius	Snowy Owl Properties 82 (Pty) Ltd Telemasters (Pty) Ltd Maison D' Obsession Trust
Marthinus Gerhardus Erasmus	Arbor Capital Corporate Finance (Pty) Ltd Arbor Capital Company Secretarial (Pty) Ltd
Jaco Voigt	Perfect Worx Consulting (Pty) Ltd Contineo Virtual Communications (Pty) Ltd

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

No guarantees were given to or by any related parties during the year under review.

Related party balances

Loan accounts - Owning to related parties		
SkyCall Networks (Pty) Ltd	(1 388 487)	(5 613 487)
Maison D' Obsession Trust	(2 494 721)	(3 600 000)
Amounts included in Trade Receivables/ (Trade Payables)		
SEESA (Pty) Ltd	-	3 979
SkyCall Networks (Pty) Ltd	(803 658)	1 411 695
TAG Business Advisors (Pty) Ltd	-	36 822
Tag Consulting (Pty) Ltd	5 000	-
Amounts included in Trade receivables regarding related parties		
Telemasters (Pty) Ltd	-	808 104
Snowy Owl Properties 82 (Pty) Ltd	130 995	130 995
Investment in subsidiaries		
Investments: Skycall Networks (Pty) Ltd	1 800 000	1 800 000
Related party transactions		
Cost of sales paid to various suppliers		
Perfectworx Consulting (Pty) Ltd	2 055 878	1 800
Contineo Virtual Communications (Pty) Ltd	3 662 583	70 543

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27. Related parties (continued)		
Telemasters (Pty) Ltd	210 526	842 149
Sales to related parties		
Tag Business Advisors (Pty) Ltd	20 215	25 388
SkyCall Networks (Pty) Ltd	18 760 017	18 304 318
Telemasters (Pty) Ltd	380 417	-
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		
SEESA (Pty) Ltd	-	108 342
Tag Business Advisors (Pty) Ltd	137 136	375 369
BRAT Trust	33 465	2 100
Arbor Capital Corporate Finance (Pty) Ltd	120 000	250 800
TAG Consulting (Pty) Ltd	317 750	-
Compensation to key management*		
Magda van der Walt	864 000	920 846
Short-term employee benefits - Executive directors	1 463 396	1 463 396
	2 327 396	2 384 242

*Directors emoluments have been disclosed in note 25 to the consolidated annual financial statements. Refer to note 34 where the major shareholders are listed.

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

28. Risk management

Liquidity risk

Liquidity risk is the risk that the company will experience financial difficulty in meeting its financial obligations as they fall due. The company'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.

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 2016	Payable within one year or on demand	Payable with 2 to 5 years	Payable after 5 years
Trade and other payables	8 255 576	-	-
Bank overdraft	71 241	-	-
Finance lease liability	2 434 603	2 651 125	-
Other financial liabilities	2 494 721	-	-
Loans from group companies	1 388 487	-	-
Contractual maturity analysis - 30 June 2015	Payable within one year or on demand	Payable with 2 to 5 years	Payable after 5 years
Trade and other payables	7 904 404	-	-
Bank overdraft	58 879	-	-
Finance lease liability	1 075 518	585 775	-
Other financial liabilities	3 600 000	-	-
Loans from group companies	5 613 487	-	-

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28. Risk management (continued)

Financial instrument risk exposure and management

The company is exposed to risks from its use of financial instruments. This note describes the company'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 company'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 disaggregate as the financial instruments used by the company share the same economic characteristics and market conditions.

The principal financial instruments used by the company, 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; and
- Loans from group companies.

The company is currently exposed to credit risk, liquidity risk and market risk (which comprises cash flow interest rate risk). The company is not exposed to foreign exchange risk as the company 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 company's receivables, movement in prime lending rates and the risks that the company 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 longer 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 to a credit verification procedure before agreements are entered into;
- Reviewing the trade debtors' age analysis weekly with the intention of minimising the company'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 company'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 company.

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28. Risk management (continued)

Credit risk

Credit risk arises from trade receivables, cash and other equivalents and loans to group companies. 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 company'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 company 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 company 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 company also monitors the use of cash and cash equivalents to ensure that no significant overdraft facilities are utilised in the business.

Capital management

The company's capital structure consists of debt which includes interest-bearing borrowings, cash and cash equivalents and equity attributable to equity holders of the company which comprises issued share capital, share premium and accumulated earnings. The company'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.

There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

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28. Risk management (continued)

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.

Interest rates on finance lease liabilities are linked to the overdraft rate. The prime rate as at year end was 10% (2015:9.5%). The interest rates on finance lease liabilities vary from 10.2% to 11.5% (2015: 8.0% to 9.5%).

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 2016, for each class of financial instrument with all other variables remaining constant. The calculations were done with reference to the outstanding financial liability and financial asset balances for the year. This represents no change from the prior period in the method and assumptions used. This analysis is for illustrative purposes only and represents management's best estimate.

	Impact on post tax profit in Rand	
	2016	2015
Before tax effect on profit or loss of a 1% change (increase or decrease) in the South African lending rate		
Cash and cash equivalents	36 147	71 800
Bank overdraft	712	588
Variable rate finance lease liabilities	41 495	16 612

29. Contingencies

The company is currently involved in the following legal proceedings:

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 listed shares held against the debt owed to the company in excess of the R4.1 million outstanding receivable. 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 and no further progress has been made due to the technical nature thereof.

The company is also involved in further litigation with a previous service provider in the amount of R1.4 million due mainly to contractual disputes surrounding historic billings, and the validity thereof.

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

Other than that disclosed above, there are currently no legal or related proceedings against the company, of which the Board is aware, which may have or have had in the 12 months preceding the date of this report, a material effect on the position of the company.

30. Commitments for expenditure

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

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31. Going concern

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

32. Subsequent events

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 2016.

33. Reclassifications

The restatement of the 2015 consolidated annual financial statement was identified following the Johannesburg Stock Exchange's ("JSE") pro-active monitoring process whereby the Company's 2015 Annual Financial Statements were selected for review. This restatement is as a result of an error in the interpretation of IAS 7 relating to the cash flows of instalment sale agreements classified as capitalised finance leases.

Consolidated Statement of Cash Flow	Original disclosure as at 30 June 2015	Corrected disclosure as at 30 June 2015	Correction effect if published
Cash flow from operating activities			
Investment revenue	399 678	-	(399 678)
Cash flow from investing activities			
Property, plant and equipment acquired	(3 714 038)	(3 415 970)	298 068
Investment revenue	-	399 678	399 678
Cash flow from financing activities			
Repayment of finance lease	(2 355 442)	(2 422 102)	(66 660)
Proceeds from finance lease and other financial liabilities	935 115	703 706	(231 408)

34. Major shareholders

Shareholders holding more than 5% - at year end	% Holdings	No. of shareholders	No. of shares
Shareholder:			
Maison D'Obsession Trust - CEO Beneficial interest	85	1	35 700 000
Directors	2	2	847 958
Public and staff with no restrictions on dealings	13	240	5 452 042
	100	243	42 000 000