BOOKMARKS

editor@voxtelecom.co.za | twitter.com/voxtelecom | voxtelecom.co.za

I am always astounded by the huge momentum that can be achieved when a group of like-minded individuals work towards a common goal. In an industry such as ours, where so many factors can change on a daily basis, from regulations to new technology to a changing economy, team work determines whether a company succeeds or fails. When I look back over the past year, the effort that each and every staff member within the Vox Telecom Group has displayed is something to be proud of. They have ensured that Vox enters 2011 with a solid network foundation, a good set of results and a highly skilled team of people. A huge thank you to all staff members – your commitment and efforts are greatly appreciated.

This year's Annual Report, the fourth in a series of magazine parodies, follows the style and visual language of *Stuff* Magazine. The past year has seen us launch and improve a wide range of cutting-edge products, including the **Vox Supafone** (page 34), Zeppelin (page 42) and the all new Fishbone (page 26), which makes this year's format the ideal platform from which to showcase our innovative product range. We hope that *Stuff* Magazine pardons the parody.

In this year's report, we also take a look at some exciting new avenues for the Group, which include the launch of **Vox's satellite division in 2011** (page 60), the roll out of our community division – Vox Tickybox (page 64), and the kick-off of our retail venture, which sees the Vox Supafone becoming available to consumers via mainstream retail stores (page 58).

We also test a wide variety of our latest products, tell you what our team gets up to in its spare time, relive Vox's most challenging mountain expedition (page 54) and look back at one of our first least cost routing devices.

The main purpose of this report, however, is the financial results. Putting these together is by far the most time-consuming aspect and the most demanding. Our audit team rolls into our offices months in advance and, under the guidance of our finance team, always delivers on time. A big thank you to Gert Koen and the entire finance team for the hard work.

To the creative genius at X Facta, your ability to exceed our expectations never seems to cease. A heartfelt thank you for the long hours, invaluable insight and creative expertise. I really believe we have produced our finest Annual Report yet.

We hope you enjoy our Stuff.

OUR LOGOS EXPLAINED...

A product bearing this accolade has been verified by our test team as a no-brainer for your business. (VOX TEST WINNER)

A product sporting this badge is a five-star product and will definitely help to reduce your telco bill. (VOX HOT BUY)

REMEMBER, THE NEXT ISSUE IS AVAILABLE BEGINNING OF 2012

Vox Stuff

Rwenzori, Rutherford Estate,
1 Scott Street, Waverley, 2090
PO Box 369, Rivonia, 2128, South Africa
email us editor@voxtelecom.co.za
surf us www.voxtelecom.co.za
call us 087 805 0000

The Annual Report Team

Editor
Clayton Timcke *editor@voxtelecom.co.za*
Producing editor
Tony van Marken *tonyvm@voxtelecom.co.za*
Features editor
Kees Schilperoort *kees@xfacta.co.za*
Production manager
Debby Stuart *debby@xfacta.co.za*
Creative director
Robert Du Toit *robert@xfacta.co.za*
Designer
Shaun Botes *shaun@xfacta.co.za*
Account manager
Maude Scheepers *maude@xfacta.co.za*
Production
Daniela Ferreira da Silva *daniela@xfacta.co.za*
Photographer
Jurie Potgieter
Make-up and hair
Charlie Runge from Shine
Stylist
Khaya Sibiya from Shine
Model
Jennifer Bettencourt from Heads

Vox Telecom Offices

Johannesburg
Pretoria
Cape Town
Durban
Port Elizabeth
Namibia
(excludes branches and franchises)

Executive Directors

AP van Marken (Chief Executive Officer)
DG Reed (Group Managing Director)
GJ Koen (Chief Financial Officer)

Non-Executive Directors

VW Cuba (Chairman)
D Wallace
RT Dalais
D van Zyl (alternate to RT Dalais)
P Joubert
E Röth

Professional Services

Grindrod Bank Limited – Designated Advisor
BDO Corporate Finance

Auditors

Deloitte & Touche

Legal Advisor

Mahons

Vox Telecom Limited
Registration number 1998/016433/06

vox telecom

CONTENTS

HOT STUFF

FEATURES

CONTENTS

FEATURES

2010 FINANCIALS

TESTED

WIN THINGS!

Message from the Chairman

2010 was another significant year in the evolution of Vox Telecom. In an environment of regulatory change and increased competition in all market segments, Vox continued to differentiate itself as the leading alternative independent telecommunications company across the South African telecommunications market.

Performance

Although our revenues remained flat at R2.07 billion we increased headline earnings to R72 million (2009: R68 million).

We generated an operating profit of R108 million for the period, but significantly increased cash generated from operations by 35% to R251 million and increased our cash-on-hand by 78% to R164 million. In addition, we further reduced our short- and long-term debt by R84 million and invested R36 million into our network.

Despite a highly competitive trading environment, deflationary pricing in the voice and data market and the regulatory impact of lower interconnect rates, we have maintained our market share and continue to experience low churn in our corporate customer base, which is evidence of our success in offering a competitively priced voice and data solution that meets market needs.

We do however, recognise that we need to do better and we intend to improve our financial performance as we execute the transition of the majority of our corporate voice customers onto our own network over the next 18 – 24 months.

Infrastructure Investment

This year we have further invested in our infrastructure with an additional upgrade of our data centres and core network infrastructure with the final roll out of Juniper routers to replace our Cisco equipment. This not only enhanced the quality of our core network infrastructure, but also provided us with increased capacity for our voice and data traffic. We have increased the capacity of our physical network interconnects with the major mobile operators and continue to experience significant growth in our interconnect traffic, which we expect to continue.

During the year we also upgraded our software platforms and ensured that our customer care, billing, provisioning and network management systems can support the growth of our business. This is an ongoing process and we will continue to invest in our network and software infrastructure to ensure that we can offer carrier class voice and data services to our customers.

Regulations

This year has been marked by a number of changes to the regulation of the telecommunications sector. The previous Minister of Communications, General Siphiwe Nyanda, brought an increased focus on key issues affecting pricing and competition - in particular the reduction in wholesale fixed and mobile termination rates.

ICASA initially reduced wholesale mobile termination rates by 36%, effective March 2010. On October 29, 2010 ICASA made a further proclamation that will result in the further reduction of fixed and mobile termination rates via a glide path over a three year period from March 2011 through March 2013.

Of further significance is that Local Number Portability (LNP) became legal in April 2010 and has now been implemented. This is a major breakthrough for alternative carriers and for the first time Vox Telecom can port numbers from Telkom customers onto our network. Although the process to effect porting has been complex and time consuming to execute, we expect to see the benefit in our voice business over the coming years.

Vox has been a leader in driving the deregulation and liberalisation of the South African telecommunications market and we will continue to lobby parliament, the Department of Communications (DOC), the Minister and ICASA for the benefit of all market participants and customers.

As we go to print with this Annual Report we note that a new Minister of Communications, Roy Padayachie has been appointed to succeed General Siphiwe Nyanda. We are hopeful that this change will not impede the pace of positive regulatory change, but will in fact accelerate deregulation to the benefit of all customers in the South African market.

The Future

Vox Telecom continues to have a major impact on the telecommunications landscape in southern Africa through offering innovative, reliable products, novel pricing and by providing outstanding customer service.

We have made further progress as a business over the past year in an environment where we faced constant deflationary pricing and fierce competition in all the market segments in which we compete. We appreciate the support of all our customers who trust us with their telecommunications needs.

As we start to roll out a full telco solution to our large corporate customer base, we are aware of the need to maintain quality and reliability and to ensure we deliver exceptional service.

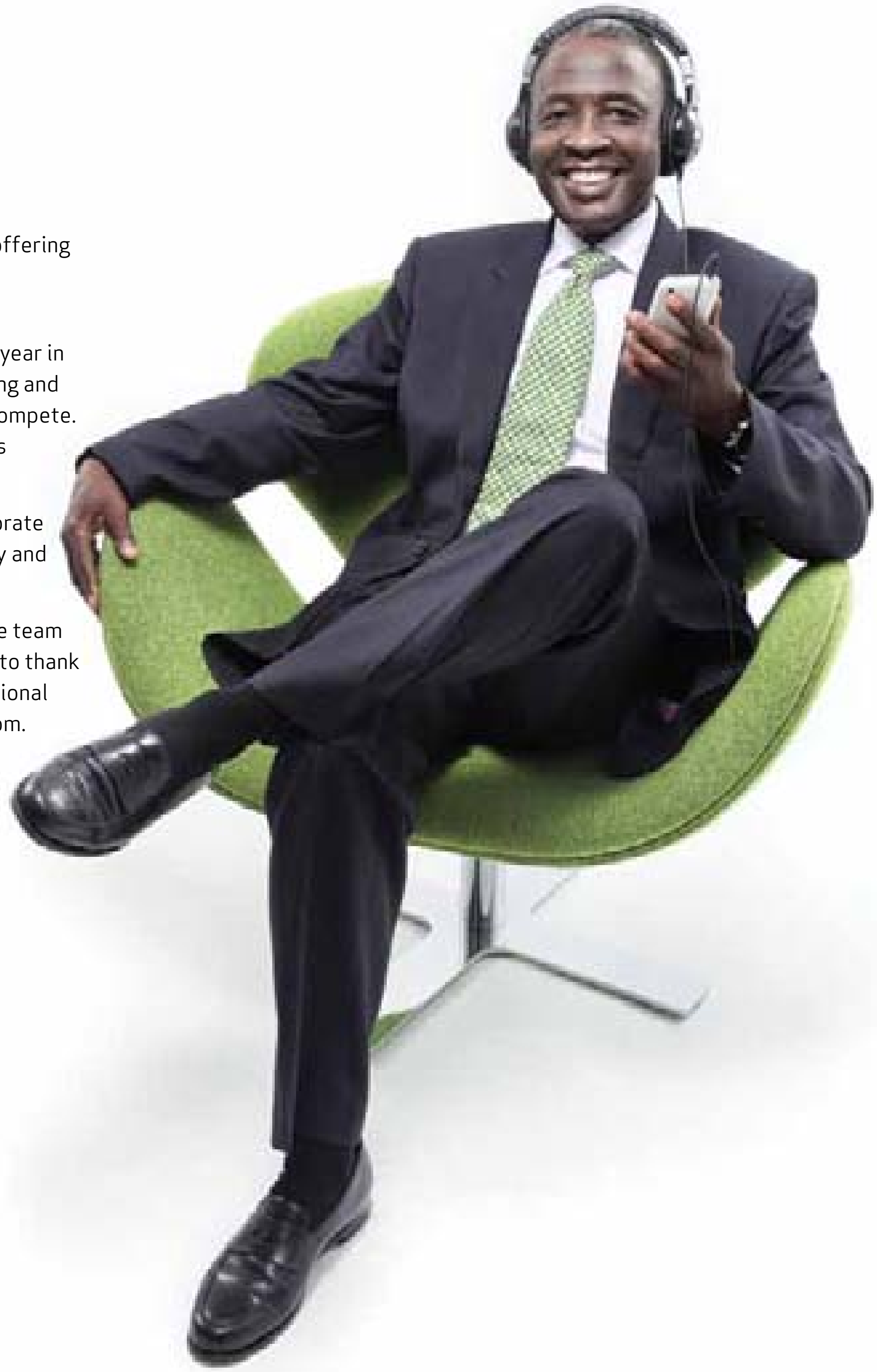
I would like to recognise all our employees and the executive team for their outstanding contribution in 2010. I would also like to thank our customers, partners, distributors, resellers and professional advisors for their dedication and commitment to Vox Telecom.

In closing I would like to thank the Board and shareholders for their support and guidance. I look forward to reviewing our performance with you next year.

Sincerely,

Vulindlela (Vuli) Cuba
Chairman

24 November 2010



IN DETAL MESSAGES

Message from the CEO and Group MD

At the start of the 2010 financial year we once again set ourselves some challenging goals and objectives. Despite an uncertain regulatory environment, a lack of clarity on interconnect rates, intense competition and deflationary pricing, we once again set ourselves the task of taking on the incumbent operators and proving the viability of our business model.

Although we did not achieve all our goals we would like to share with you the results of our efforts as well as provide some insight into our future growth strategy.

Financial

We achieved revenues of R2.07 billion and operating profit of R108 million. We generated R251 million in cash from operations and ended the year with R164 million in cash on the balance sheet, an increase of 78%.

We generated a net loss for the year of R680 million as a result of impairments to goodwill and intangible assets amounting to R842 million. Headline earnings, which are not impacted by the impairments to goodwill and intangible assets, grew 4% to 6.45 cents per share.

In terms of International Financial Reporting Standards (IFRS) Vox is required to assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the assets.

Since the last fiscal year, the Independent Communications Authority of South Africa (ICASA) has proposed significant changes to wholesale interconnection rates to be implemented via a glide path over a number of years. The first drop in interconnection rates was implemented on 1 March 2010 and Vox has based its assumptions on future reductions in interconnection rates as communicated by ICASA on 29 October 2010.

As a result of these changes, Vox has valued the Least Cost Routing (LCR) business based on managements' best estimate of the impact that these changes will have on future cash flows. In addition, the Group assessed the value of certain acquired consumer ISP intangible assets based on expected future cash flows to be received through its subsidiary, @lantic. The net effect of this valuation process is that a portion of the goodwill and intangible assets attributable to these cash generating units is being impaired, the majority of which lies within the LCR business.

Interconnect

The clarity we now have in the regulatory environment means Vox Telecom is able to focus on its vision of striving to be the leading independent, alternative provider of voice and data solutions to the southern African market. In anticipation of the change in interconnect rates, we have been building and developing our own network. The launch of Cristal Vox in 2009 is in direct response to this change.

Cristal Vox is the result of four years of experience in the voice market and has resulted in the launch of a telco grade quality voice solution. Cristal Vox allows Vox to provide a complete voice solution to service all of our customers' needs for both inbound and outbound calls. The impact of this is reduced communication costs for our customers and improved margins for the Group.

With Local Number Portability (LNP) now available we have experienced an increased take-up of Cristal Vox by our corporate customer base. The change in the interconnect landscape now allows all subsidiaries within the Vox Group to offer competitive outbound and inbound retail rates to their customers on all types of voice traffic.

Products

This year was once again remarkable in terms of the level of innovation within Vox Telecom. Fishbone, our world-class line bonding solution continues to be the gold standard in South Africa and is the best selling product in our history. In addition, our mid-market video conferencing solution, Eyeris, in partnership with our technology partner, Imago, has been well received particularly in the SME market.

In addition, we launched Vox Cocktail, our re-branded ADSL solution, which is well priced to compete against all operators in the highly competitive ADSL market. During the year we launched Periscope (our corporate Virtual Private Network (VPN) solution), Zeppelin (a corporate wireless solution) and Voxair (our teleconferencing service).

We believe our level of innovation will continue to place pressure on our competitors and provide our customers with practical, well-priced products that deliver reliable proven technology solutions to meet their business needs.

@lantic

Our consumer ISP division, @lantic, had a challenging year and churned approximately 12,000 customers with revenues remaining constant at R199 million. However, @lantic managed to increase Average Revenue Per User (ARPU) from approximately R153 as at the end of 2009 to R157, as a result of upgrading customers and offering new products and services including the Vox Supafone and Cristal Vox.

@lantic will be highly focused on growing ARPU across the entire customer base in the forthcoming financial year by offering new products and upgrading existing customers. @lantic remains the third largest consumer ISP in South Africa with over 123,000 customers and a market share of approximately 14%.

Vox Orion

Vox Orion's revenue declined by 9% to R1.2 billion largely as a result of the changes in the Mobile Termination Rate (MTR) environment as the majority of its customers use cellular LCR products as this has historically resulted in major savings when making outbound calls from Telkom to one of the mobile operator networks. The decline in revenue was further compounded by managements' strategic decision to position the Group for future growth by placing a freeze on the renewal of LCR SIM cards with the networks as these SIMs came out of contract. As a result revenues from Connection Incentive Bonuses (CIBs) are down R88 million when compared to the prior period.

Vox Orion is now aggressively converting customers to Cristal Vox, but as this requires technical changes at customer sites and new contracts to be signed, the sales cycle is longer. As at 31 October 2010 Vox Orion had submitted 1,315 Cristal Vox proposals to its largest revenue generating customers with an acceptance rate of 22% and 63% of proposals under review; and successfully converted 34 million voice minutes onto the Vox network (previously LCR customers). Over the longer term Vox Orion will benefit from margin improvements once their major voice customers have been converted to the Cristal Vox solution.

Furthermore, with LNP now available we anticipate an increased take-up of Cristal Vox by the Vox Orion corporate customer base. The change in the interconnect landscape now allows Vox Orion as well as other subsidiaries within the Vox Group to offer competitive outbound and inbound retail rates to their customers on all types of traffic, instead of merely focusing on capturing a customer's cellular traffic.

Vox Datapro

Vox Datapro, our corporate data division further consolidated its position in the data market growing overall external revenues in this segment 9% to R351 million across 7,540 customers. Vox Datapro's revenue growth was diluted during the period due to the re-allocation of certain wholesale business to Vox Core. On an adjusted comparative basis Vox Datapro would have grown by 36% and ARPU would have increased to R5,122 per month from R5,031 per month as at end of August 2009.

Vox Datapro also grew its voice business substantially during the period, generating 83 million billed Cristal Vox minutes. We expect that Vox Datapro will continue to benefit from the capability to offer corporate customers a converged voice and data solution.

In line with global trends, we expect to continue to see significant growth in the data market segment and will continue to focus on increasing ARPU across our corporate customer base as well as driving further growth from new customers as the demand for bandwidth continues unabated.

Vox Core

Vox Core is our internal division responsible for the management of our voice and data network. However, Vox Core is also an aggregator of traffic for smaller Electronic Communications Network (ECNS) licencees and also manages wholesale relationships with local and international telecom operators.

During the period Vox Core grew its wholesale business 138% to R234 million and made a significant contribution to group performance. Vox Core is a critical supplier to the Group's customer-facing business units, in particular Vox Datapro and Vox Orion, and needs to deliver a reliable, robust, high quality network that meets the demands of our customer base.

Vox Core completed a major upgrade of our network infrastructure with the final roll-out of Juniper switches and further upgrades of our national data centres. We will continue to invest in our network on a demand basis in order to meet the requirements of a growing voice and data business.

www.voxtelecom.co.za Vox Telecom Limited will release financial year end results to market on 24 November 2010 at 17h00. Visit voxtelecom.co.za for a full media and presentation schedule.

01 November at 12:05 • Comment • Like • Promote

Douglas Reed Tony, just a note to say thank you for a solid year. I'm really looking forward to 2011.
24 November at 16:39 • Delete • Report

Tony van Marken And to you Doug. It's going to be an awesome year next year. Satellite on the way, retail, new Fishbone, new division, community momentum…
24 November at 16.42 • Delete • Report

Douglas Reed We have some great products and a solid strategy ready to tackle regulatory changes.
24 November at 16.43 • Delete • Report

Tony van Marken We go live with our results in a few minutes. With our headline earnings up and increased cash on hand, we're looking pretty good.
24 November at 16.44 • Delete • Report

Douglas Reed I'm glad we've also invested so heavily in our network and reduced our debt.
24 November at 16.46 • Delete • Report

Tony van Marken Definitely. With legislative changes on the way, we've really set ourselves up to adapt quickly and efficiently.
24 November at 16.47 • Delete • Report

Douglas Reed It hasn't been an easy fight with one hand tied behind our backs, but we're finally getting to an even playing field.
24 November at 16.48 • Delete • Report

Tony van Marken Agreed, but we'll push hard in 2011 for local loop unbundling, spectrum allocation and carrier pre-select.
24 November at 16.50 • Delete • Report

Douglas Reed Consumers are relying on us to bring costs down…we also need to bed down single number porting.
24 November at 16.53 • Delete • Report

Douglas Reed I'm really proud of the team. Everyone has put in an astounding effort this year.
24 November at 16.55 • Delete • Report

Tony van Marken Totally agree. We've got an incredible team.
24 November at 16.56 • Delete • Report

Douglas Reed Anyway, must dash to an interview. Good luck for your media interviews!
24 November at 16.57 • Delete • Report

Vox Telepreneur

We have always been known for innovation in the South African market and in February 2008 we launched a consumer voice offering under the Vox Telepreneur brand. Since our launch we have signed on over 4,300 dealers and acquired over 12,500 customers with an ARPU of R283, the fastest growing start-up in our history.

For the first time in the South African telecommunications market consumers receive rebates for incoming calls on our own number ranges. We have now also launched Vox Telepreneur products into the retail channel in partnership with Makro and Dion Wired and expect to look at additional partnerships to expand our distribution over the coming year. We expect to see strong growth in this market segment and will continue to challenge the status quo in this segment of our business offering.

Vox Amvia

Vox Amvia, the leading supplier of corporate faxing solutions to the South Africa market grew revenue 15% to R36 million. Vox Amvia resells RightFax, which is developed and marketed by Open Text, a US based company that is a global leader in document management.

Vox Amvia also represents a significant opportunity with respect to the disintermediation of fax traffic, which is now enhanced by our ability to port corporate fax numbers for the first time. We are marketing the Vox Amvia products directly, with channel partners and through our voice and data divisions and have high expectations for this business over the next few years.

Customers

More than 15,000 corporate customers and 130,000 consumers trust us as their supplier of a critical telecommunications product or service. We understand the investment in time and effort that is required to build relationships and demonstrate delivery and performance on a consistent basis.

We pride ourselves on the fact that we think differently to the competition and are prepared to challenge the status quo as evidenced by new offerings such as Cristal Vox, Fishbone, Eyeris, Periscope and Zeppelin.

Vox customers expect outstanding execution, superior customer service and continuous innovation. Furthermore, we understand our responsibility to reduce the overall telecommunications cost structure of our customers and we will continue to ensure we meet this need with reliable, innovative products.

People

We finished the fiscal year with 788 employees within the Vox Telecom Group, which reflects a stable head count. We would like to acknowledge everyone's contribution to the growth and success of Vox Telecom in an industry experiencing unprecedented regulatory and technological change.

We strive to provide outstanding career opportunities to motivated, talented and committed people who share our vision and appreciate a challenging and exciting working environment.

Outlook

We are very focused on expanding our voice and data business across all market segments in the coming years. In particular, the entire Group is supporting the transition of our customers onto Cristal Vox.

We have made a significant investment in terms of time and money into building a platform to offer a complete telco solution to our customers and are determined to increase our market share and ensure we offer innovative competitively priced products to the South African market.

We would like to thank all our employees for their dedication and commitment, our customers for their trust in Vox and our shareholders for their patience and support during the fiscal year.

We look forward to reporting on our progress again in next year's Annual Report.

The clarity we now have in the regulatory environment means Vox Telecom is able to focus on its vision of striving to be the leading independent, alternative provider of voice and data solutions to the southern African market. In anticipation of the change in interconnect rates, we have been building and developing our own network. The launch of Cristal Vox in 2009 is in direct response to this change.

Tony van Marken
Chief Executive Officer

24 November 2010

Douglas Reed
Group Managing Director

24 November 2010

Inbox

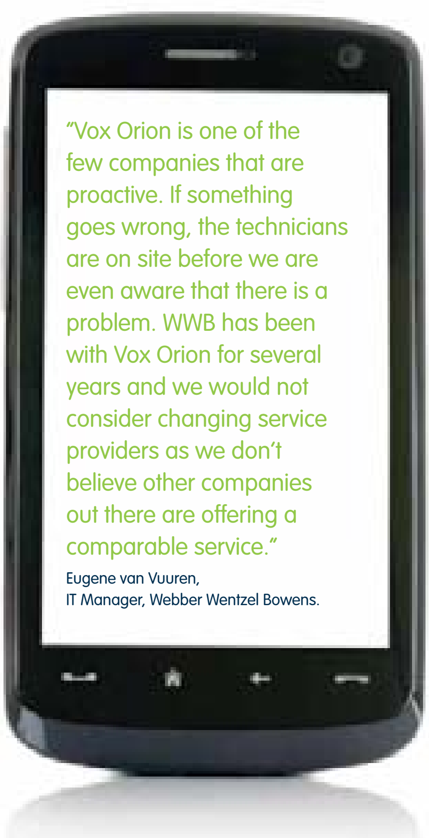
editor@voxtelecom.co.za

As a leading, alternative telco, Vox Telecom's main objectives are to provide customers with cost-effective, relevant telecommunications options that are customised and offer the highest quality available. Below are highlights from customers that have chosen Vox as their provider of choice.

EXCLUSIVE

AA slashes call centre costs with voice service from Vox Orion

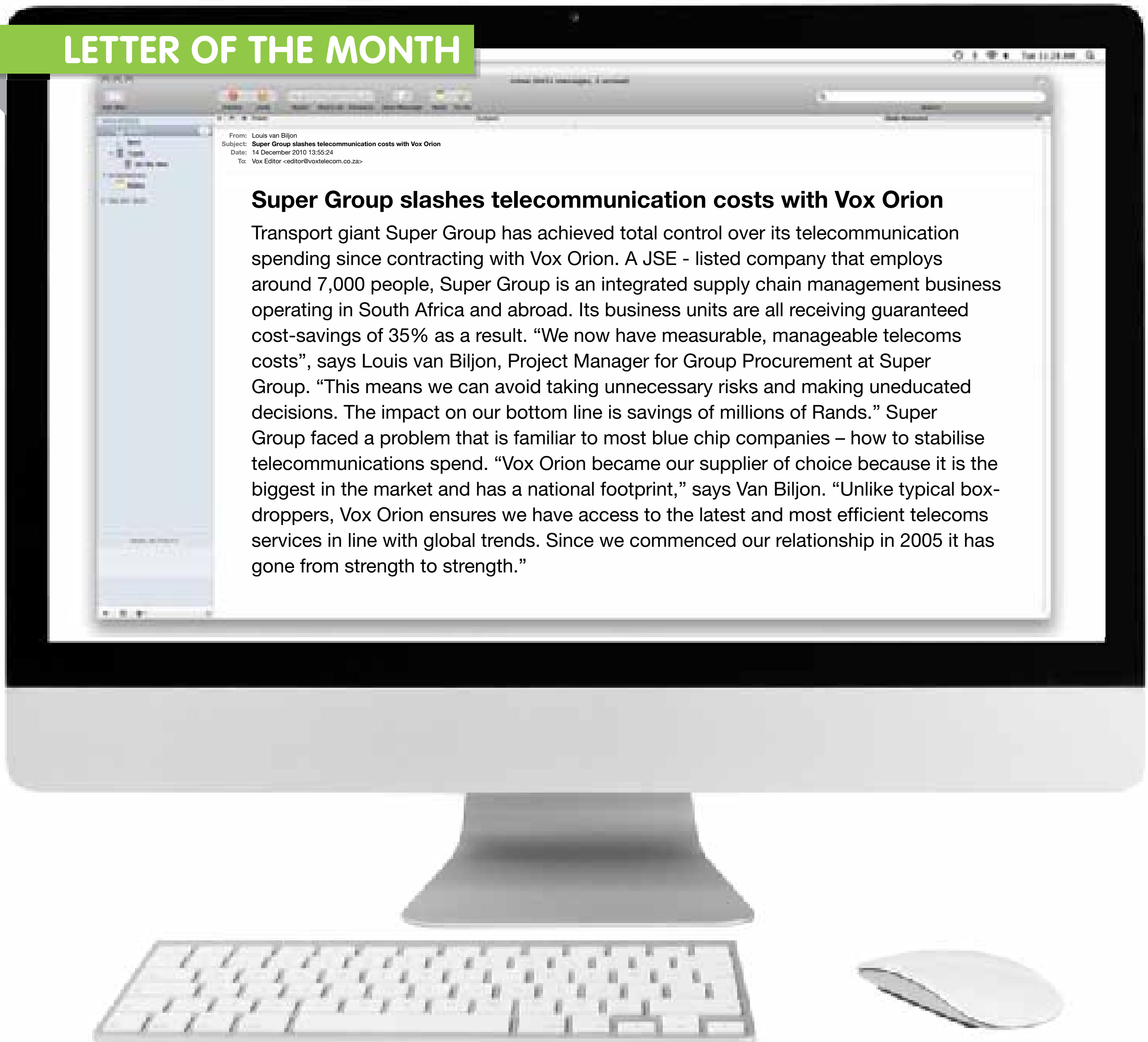
The Automobile Association (AA) has further reduced its call centre costs after contracting Vox Orion to implement its voice service. "Our AA call centre makes around 50,000 calls per month across our customer service and emergency divisions," says Jaco van der Merwe, divisional IT Manager at the AA. "Because most of our calls are short, per-second billing makes for a far lower total cost. Long-standing customers like the AA, benefit greatly from competitive rates and per second billing methodology," says van der Merwe. The AA also experiences efficiencies from Vox Orion's full suite of managed telecommunications services along with consolidated billing and reporting, as well as a single point of contact. Vox Orion manages the various telecommunications operations on behalf of the customer, while delivering highly competitive pricing and uncompromising service levels.



Leading fashion group switches to Vox Datapro

Since switching over all data connectivity to the Vox network, Busby House has seen a marked improvement in the overall running of their IT operations in both cost and manageability. Busby House is a leading wholesale and retail fashion group employing around 1,500 employees. The organisation has fashion brands such as Guess, Mango, Nine West and Aldo in its stable. Busby House shifted its entire IT operations to Vox Datapro in July 2010. "Since moving from our previous provider we have experienced savings which equate to R250,000 per annum. We have chosen to reinvest these savings into our network, allowing us to take advantage of a number of improvements, including guaranteed uptime, built-in redundancy, improved firewalls and spam filters," says Doug Cargen, Group IT Infrastructure Manager. "In the past, if there was a problem with the network we would have to wait a couple of days before getting a response," says Cargen. "With Vox I have a one-on-one relationship, which allows me to deal directly with the top engineers or my account manager, ensuring that if a problem does occur, it is rectified within minutes."

LETTER OF THE MONTH



From: Louis van Biljon
Subject: Super Group slashes telecommunication costs with Vox Orion
Date: 14 December 2010 13:55:24
To: Vox Editor <editor@voxtelecom.co.za>

Super Group slashes telecommunication costs with Vox Orion

Transport giant Super Group has achieved total control over its telecommunication spending since contracting with Vox Orion. A JSE - listed company that employs around 7,000 people, Super Group is an integrated supply chain management business operating in South Africa and abroad. Its business units are all receiving guaranteed cost-savings of 35% as a result. "We now have measurable, manageable telecoms costs", says Louis van Biljon, Project Manager for Group Procurement at Super Group. "This means we can avoid taking unnecessary risks and making uneducated decisions. The impact on our bottom line is savings of millions of Rands." Super Group faced a problem that is familiar to most blue chip companies – how to stabilise telecommunications spend. "Vox Orion became our supplier of choice because it is the biggest in the market and has a national footprint," says Van Biljon. "Unlike typical box-droppers, Vox Orion ensures we have access to the latest and most efficient telecoms services in line with global trends. Since we commenced our relationship in 2005 it has gone from strength to strength."

Metraclark puts a freeze on communication costs

Refrigeration and air-conditioning wholesaler Metraclark has cut its data communication costs by up to 40% with the help of Vox Datapro. Metraclark, the largest refrigeration and air-conditioning wholesaler in southern Africa, is wholly owned by Swedish company G&L Beijer AB. It has 23 sales outlets in SA, an export office in Johannesburg, two central warehouses and branches or agents in Namibia, Botswana, Zimbabwe and Mozambique. "Vox Datapro now provides all of our data connectivity, as well as web hosting, security and fax-to-email services," says Metraclark IT Manager, Nazeer Kadir.

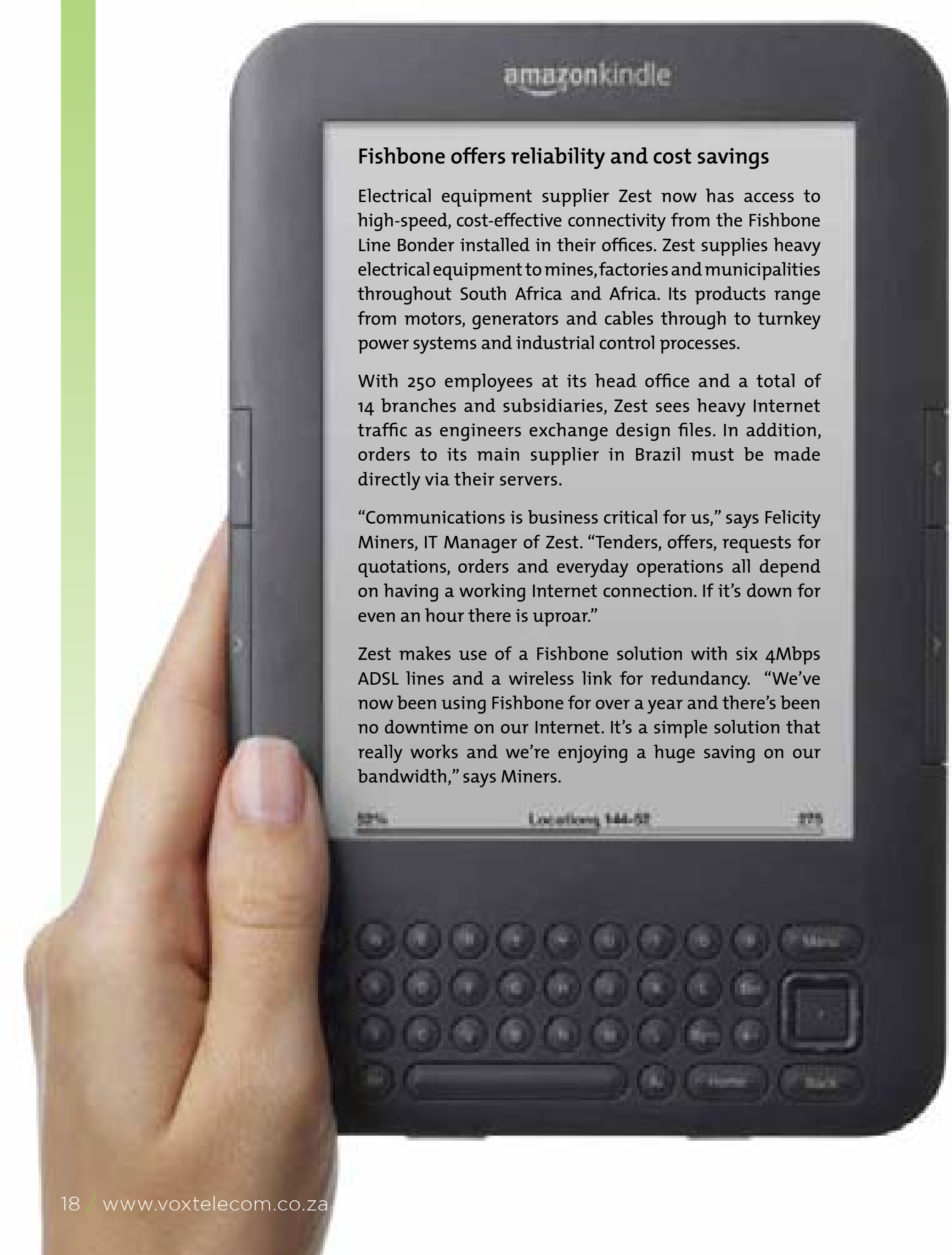
"Previously, those services were all provided by different companies. One of the great things about consolidating is that by opting for a bundled package from a large service provider we can achieve better rates. We're using Vox Datapro for all our data connectivity to 26 sites and branches around South Africa, as well as offices in the rest of the region," adds Kadir. "By moving our smaller branches from Diginet lines to ADSL we have saved a fortune, and increased our bandwidth, without compromising service. Our costs have come down by 40% a month." As well as a core MPLS network with ADSL and wireless links, Vox Datapro has supplied Metraclark with add-on services such as a VPN for remote access by employees on the road and a full unified threat management solution, which includes firewall, anti-virus and spam filtering. "Having a single service provider for all our data needs is saving us time, money and management effort," adds Kadir.

INBOX YOUR VOX

Medshield gets the Vox treatment

In the medical aid industry, quick response times to members' queries is one of the vital elements that set a medical aid scheme apart from its competitors. Medshield Distribution Services provides a regional office infrastructure to Medshield, South Africa's sixth-largest medical scheme. With more than 73,000 principal members and a total of 173,000 beneficiaries, Medshield Distribution Services has seven branches across South Africa, which until recently were all linked to its head office in Johannesburg via 128kbps Diginet lines. "If our communication lines are down for half a day, we can end up with a weeks' backlog," says Medshield Distribution Services IT Manager, Joseph Payne. "All our applications for membership and for member queries are handled via email, so having reliable network uptime is absolutely critical to our business. We needed a fully managed communications solution that would allow us to focus on our core business, instead of trying to manage inter-branch communications ourselves. We chose Diginet because of the guaranteed uptime, but the network still needed to be managed and that created a lot of overhead," says Payne.

Medshield has implemented a managed solution, which ensures that access lines from all of their branches go through their network operations centre and from there to their head office. Not only is the MPLS VAN saving Medshield up to R40,000 a month, Vox is now also providing extras such as online backups and a hosting solution, including a firewall. "Vox Datapro actively monitors and manages our network 24/7," adds Payne. "Vox has also arranged ADSL lines as a fail-over option, so we are getting the network reliability we need. It's freed up our time to focus on more productive things."



Fishbone offers reliability and cost savings

Electrical equipment supplier Zest now has access to high-speed, cost-effective connectivity from the Fishbone Line Bonder installed in their offices. Zest supplies heavy electrical equipment to mines, factories and municipalities throughout South Africa and Africa. Its products range from motors, generators and cables through to turnkey power systems and industrial control processes.

With 250 employees at its head office and a total of 14 branches and subsidiaries, Zest sees heavy Internet traffic as engineers exchange design files. In addition, orders to its main supplier in Brazil must be made directly via their servers.

"Communications is business critical for us," says Felicity Miners, IT Manager of Zest. "Tenders, offers, requests for quotations, orders and everyday operations all depend on having a working Internet connection. If it's down for even an hour there is uproar."

Zest makes use of a Fishbone solution with six 4Mbps ADSL lines and a wireless link for redundancy. "We've now been using Fishbone for over a year and there's been no downtime on our Internet. It's a simple solution that really works and we're enjoying a huge saving on our bandwidth," says Miners.

Vox says

The introduction of Cristal Vox into the market has finally given corporates a high-quality, lower cost alternative for their voice traffic.

Vox Telecom Limited consists of five customer-facing divisions. A snapshot of each of these divisions and a brief insight into what they do and some of their vital stats is provided below.

Vox Telecom Limited is a leading alternative, independent telecom operator, providing voice and data services to the southern African market. The Group competes through its primary brands Vox Telecom, Vox Datapro, @lantic, Vox Exchange, Vox Orion and Vox Telepreneur and has offices in Johannesburg, Pretoria, Durban, Cape Town and Port Elizabeth as well as in Windhoek, Namibia. Vox Telecom is a listed company trading on the Alternative Exchange (AltX), a division of the JSE Limited.

www.voxtelecom.co.za

Revenue	R2.07 billion
Corp Customers	15,000
Consumers	130,000
CEO	Tony van Marken
Group MD	Douglas Reed
Employees	788
Head Office	Waverley, Johannesburg
Started in	1998

HOT FIVE #1

Revenue	R1.2 billion
Corp Customers	7,633
Consumers	-
MD	Jacques du Toit
Employees	327
Head Office	Sunninghill, Johannesburg
Branches	9
Started in	1997

vox orion

Managed telecoms

Managed telecoms for enterprises

Vox Orion is focused on delivering complete managed voice solutions to the top-end corporate market. Considered a pioneer in what was known as the least cost routing (LCR) market, Vox Orion has since extended its solution offering and now prides itself on its technical expertise and innovation and is widely regarded as a leading innovator in the telco industry. Vox Orion serves 60% of the top 200 listed companies on the JSE and has significant government contracts, including four provincial governments, SANDF, SAPS and 56 local town councils. Vox Orion has offices in all the major South African cities as well as nine smaller towns and offers a range of guaranteed savings models within its managed voice solutions offering, as well as messaging, telephone management and PABX solutions.

www.voxorion.co.za

Revenue	R351 million
Corp Customers	7,540
Consumers	-
MD	Gary Sweidan
Employees	111
Head Office	Waverley, Johannesburg
Branches	3
Started in	1998

vox datapro

Practical telecoms

HOT FIVE #2

Practical telecoms for businesses

Vox Datapro is a leading telecommunications service provider, focused on providing internet connectivity and converged Internet Protocol (IP) services to business customers. Established in 1998, Vox Datapro's practical connectivity solutions are designed around specific business needs and priorities, helping to support mission-critical communications. Vox Datapro delivers all connectivity solutions via a world-class infrastructure. Service Level Agreements ensure peace ofmind, with a 24-hour help-desk fully supporting and monitoring services. This ensures timeous and continuous service delivery to all customers, regardless of size.

www.voxdatapro.co.za

HOT FIVE #3

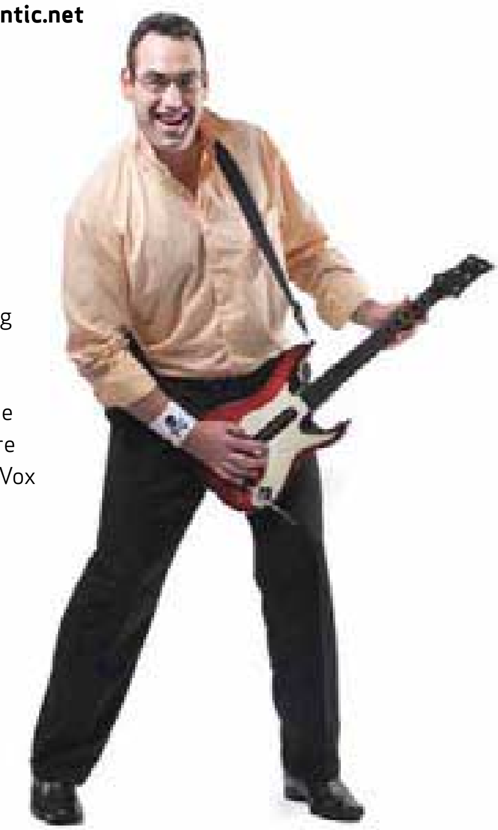
@lantic

Simplified telecoms

Revenue	R199 million
Corp Customers	-
Consumers	123,000
MD	Neil Meyer
Employees	60
Head Office	Faerie Glen, Pretoria
Branches	195
Started in	1996

@lantic has been trading for the past 14 years and is one of the largest independent consumer ISPs in South Africa. It is a franchise-driven business with a customer base of over 123,000 subscribers. @lantic has 195 franchised branches nationwide, as well as 700 second-tier resellers. @lantic provides ADSL, dial-up, wireless internet (3G/HSDPA and iBurst) and hosting services to the consumer and small business market.

www.lantic.net



VOX *amvia*

Fax solutions

HOT FIVE #4

Revenue	R36 million
Corp Customers	1,000
Consumers	-
MD	Craig Freer
Employees	31
Head Office	Waverley, Johannesburg
Branches	1
Started in	1996

Vox Amvia is South Africa's leading fax specialist, managing critical corporate documents for businesses. A range of complete solutions include automation, outsourcing, compliance and business process integration to manage the delivery, receipt and processing of critical documents. More than 90 of South Africa's top 200 companies benefit from Vox Amvia solutions to ensure smooth business functionality.

www.voxamvia.co.za.

VOX *telepreneur*

Your telco

Vox Telepreneur, the fastest start-up in the Group's history, is aimed at consumers and SMEs. The business model, and strategic success of Vox Telepreneur, depends on harnessing the entrepreneurial spirit of South Africans. The deregulation of the South African telco sector, a formerly protected and highly regulated market, has created the ideal opportunity for a consumer initiative to be launched. Vox Telepreneur is geared to empower all South Africans to endorse telecommunications products and services through their own social networks, and in return have the opportunity to not only save on their telephony costs, but also to earn annuity income.

www.vox.co.za

Revenue	R34 million
Corp Customers	-
Consumers	12,500
MD	Bradley Gatter
Employees	9
Head Office	Waverley, Johannesburg
Branches	2
Started in	2008

HOT FIVE #5

There isn't even a catagory for this product.

VOX HOT BUY

New generation Fishbone

One of our major objectives at Vox is to move businesses in South Africa closer to international bandwidth standards – in a cost-effective manner. And that's exactly what Fishbone Line Bonder does. Fishbone, in a nutshell, aggregates any number of point-to-point access lines to make high-speed internet available to businesses at a fraction of the cost of traditional fixed-line access solutions. The product combines ADSL, Diginet, fibre, wireless, or any ethernet-compatible technology to offer a premium line bonding package.

With bandwidth becoming a commodity in South Africa (particularly due to future increases in international bandwidth), businesses have a greater need for lower-cost, reliable access. Cue Fishbone Line Bonder. However, directly correlated to this is the need for effective network security, as well as the desire to deal with fewer vendors. And that's where the new generation Fishbone comes into its own.

Not only does it offer businesses international-standard access speeds by combining multiple access lines into one, high-speed pipe, but it now comes with Unified Threat Management (UTM), which is a premium suite of features offering a Giga-based security solution that combines the line bonding and network monitoring capabilities of the previous generation unit with a host of brand new network security capabilities. And the best part is that it's offered in a single device.

The new threat management suite offers services such as firewall capabilities (which ensure a network remains safe from outside threats), Virtual Private Network functionality (which is secure remote access to a network), bandwidth management and Quality of Service (which means that should telephony be part of the package, voice traffic is always crystal clear), enhanced reporting, customised filtering of content and video and voice support (for telephony and video conferencing purposes).

Fishbone, in a nutshell, aggregates any number of point-to-point access lines to make high-speed internet available to businesses at a fraction of the cost of traditional fixed-line access solutions.

The new generation Fishbone offers three major advantages:

1. If a business chooses to combine several ADSL lines, it will get the equivalent of a Diginet line to their office, at typically around a tenth of the cost (e.g. combine six 4Mbps ADSL lines to output speeds in excess of 20Mbps).
2. In many cases, where businesses have multiple access technologies in place as a backup against failures, some of that capacity goes to waste. For example, if a Diginet line is the main access and an ADSL line serves as a backup, more often than not the ADSL line will sit unused. With Fishbone, all the available capacity can actually be combined and used as one, plus an automatic failover function ensures that the backup option still exists.
3. The new UTM suite offers a comprehensive range of threat management tools, which means more security and fewer issues.

Standard features?

Static IP addresses
Host email and web servers on your network over ADSL. Very fancy!

Centralised management via the network monitoring system
Each Fishbone is centrally monitored and maintained 24/7/365, which equals peace of mind.

Automatic failover
If an access line goes down, connectivity is not interrupted, which means productivity will be maximised.

Managed ADSL lines
Vox takes the hassle out of ADSL maintenance by managing faults on a customer's behalf. One contact, one bill, less hassle.

Bond any point-to-point access technology (not just ADSL)
Bond ADSL, fibre, Diginet and/or wireless point-to-point lines. If a new technology is invented tomorrow, it can be added to the solution.

Online usage limit control
Online user interface allows management of bandwidth usage limits from anywhere in the world. Makes Mauritius seem quite appealing.

Bandwidth management
Policy implementation to manage, for example, bandwidth used by a mail environment. Full control.

Why the new generation Fishbone?

The new Fishbone offers you low-cost, high-speed access, a single vendor solution (instead of dealing with multiple suppliers), easy network management, cost-effective maintenance, lower electricity consumption, less space requirements and efficient redundancy capabilities. Need any other reasons to get one?

Ports galore
With six ethernet ports, loads of memory and compact dimensions, the new Fishbone takes the cake in terms of premium line bonding – there's actually no other product like it! And with remote management, the hassle factor is zero.

What's new?

VPN

The VPN feature offers a secure communication environment that prevents unauthorised access to a network, while at the same time reducing costs. Access the network from anywhere…even Siberia.

Firewall

The firewall feature ensures a network's availability, as well as the security of the company's resources, by protecting the network infrastructure against unauthorised access, network- and application-layer attacks, viruses, and worms. Safety first.

Bandwidth management / QoS

The bandwidth management feature allows control of bandwidth by implementing guaranteed and burstable IP or protocol-based bandwidth policies. This means that you'll always have a great data and voice experience.

Reporting

The reporting feature provides comprehensive and detailed analysis of the Fishbone environment. Enough said.

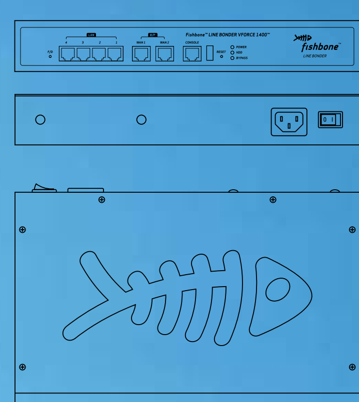
Content filtering

The content filtering feature enables businesses to control user access to inappropriate content, which reduces organisational liability and increases productivity. More work, less play.

Video and voice support

Using our proprietary bonding protocol, the bonded access lines are dynamically managed via line speed and quality differences to ensure an "even" experience. This allows for high-quality video and voice functionality.

FISHBONE LINE BONDER: VFORCE 1400



TECH SPECS

Size
300mm x 174mm x 44mm

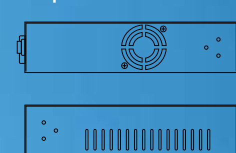
Ports
6 x ethernet ports

Remote management Yes

Storage capacity 160GB

Memory 1GB

Compact flash 1GB



Vox says ★★★★★

The new generation Fishbone, which is one of Vox's flagship products, now offers voice and video support, VPN (Virtual Private Network), content filtering, firewall capabilities and bandwidth management. Wicked!

IN DETAIL VIDEO CONFERENCING

Eyeris

Does anyone still bother travelling to meetings?

We test a lot of really interesting products, but the ones that interest us the most are those that make our life easier. Let's be honest, convenience is one of the biggest triggers when it comes to making use of products and services. Well, we've just tested a product from Vox that does exactly that. It's called Eyeris and it does video conferencing.

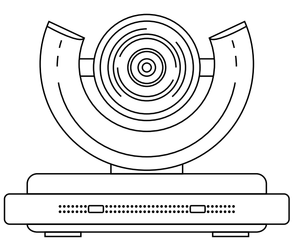
But not just any video conferencing…it offers high-definition video and audio for a really amazing meeting experience for people around the world.

Most of us would love to video conference rather than hopping on a plane for a one hour meeting in Cape Town, but it's usually the cost of video conferencing that keeps people flying. However, Eyeris offers a hosted high-definition IP solution for less than the cost of two round trips between Joburg and Cape Town per month. Slap a Fishbone onto the front of it and you can really experience affordable, cutting-edge tech, and you don't have to face a stiff neck and five hour wait for your luggage.

Vox says ★★★★★

This is not just any video conferencing… it offers high-definition video and audio for a really amazing meeting experience for people around the world.
Our verdict: give it a go.

EYERIS



TECH SPECS
Full 1080p30 high definition camera
30 frames per second
10x optical zoom
70 degree field of view with pan and tilt functionality
Firewire (720p30) video interface
Automatic gain control
HDMI video out support

REASONS TO GIVE IT A GO

- High-definition video conferencing is unbelievable (just think about a high-def TV)
- Works with your old video conferencing system (if you have one)
- Home/desktop option for even less travel!
- It's hosted, which means far more affordable (it's actually cloud video conferencing!)
- Spend less on travel and avoid irritating in-flight announcements

GADGET DOCTOR

Email the experts editor@voxtelecom.co.za

MAIL OF THE MONTH

Ring, ring, ka-ching

Q I am the IT Director of a 500-person organisation. I have been tasked with bringing our IT costs down, but there seem to be so many options available in terms of infrastructure, PBXs and outbound calling options. We have a range of numbers that we've been using for the past 10 years and we really don't want to change them. Any suggestions?

A **Two words: Cristal Vox. It's a complete corporate voice solution from Vox that slashes your telephony bills and eliminates the need to deal with more than one provider. Due to Vox's interconnect agreements with other operators, savings are passed directly to your organisation and, when coupled with lower outbound call rates and incoming call rebates, you may be able to save up to 70% on your current telephony spend. Oh, and you can keep your numbers. Cool, hey!**

Bondage

Q We run a small business with around 15 employees. We are currently having capacity issues in terms of bandwidth requirements, but we really can't afford a corporate solution like Diginet.

A **Have you heard about Fishbone from Vox? Fishbone is a premium line bonder that aggregates any number of ADSL lines to make high-speed access available at a fraction of the cost of traditional fixed-line access. Fishbone also bonds mediums such as Diginet, fibre and point-to-point wireless with ADSL. Fishbone also offers backup against failure, complete usage of capacity, remote monitoring, video support, VPN (virtual private network), content filtering, firewall capabilities and bandwidth management. As an example, you can combine 6 x 4Mbps DSL lines to achieve speeds in excess of 20Mbps. What are you waiting for?**

Jargon galore

Q I'm thinking about getting ADSL, but am really not sure which package to go for. I need to be able to access the net, make calls and download as many movies as I need to, but terms like shaped, unshaped, capped, uncapped and voice-enabled uncapped leave me feeling a little overwhelmed.

A **We know what you mean, but it's easily explained. A shaped account just means that certain activities (web surfing and email) are given preference to other activities (online gaming, movie downloads, etc.) This is the most common form of ADSL and is a cost-effective way to access the net. An unshaped account is a premium account (i.e. you pay more), but offers the highest performance for whatever you're doing. All activities are given equal priority, which means if you want to download a movie, the line's all yours. In terms of capped vs. uncapped, capped just means that you've got a set amount of data (e.g. movies) that you can download every month, whereas uncapped means you can go wild. However, traditional uncapped is not as good as it sounds. It's normally controlled past a certain point, plus it's usually not as stable for voice applications. It sounds like the perfect package for you is an unshaped, voice-enabled, uncapped account. Download, talk with clarity and surf when you want.**

How times have changed

Q What's the point of the Vox Supafone? Isn't it just another landline phone?

A **The Vox Supafone is, in fact, an IP-enabled phone, which means that you hook it up to your ADSL line at home. What does this translate to: lower cost outbound calls (because of the whole voice over a data line thing), free calls to other cutting-edge Voxies and money straight into your back pocket every time someone calls you on your Vox Supafone. No more analogue calls, just crystal clear IP calling over the carrier-grade Vox network. Yes please!**

WIN! A VOX SUPAFONE

Vox Stuff is giving away a hot Vox Supafone

Want to win a phone that can change your life? The Vox Supafone is a really cool cordless phone that makes calls over the internet, saves money on your phone bill and let's you call other Supafones for free. It also gives you the option to choose between internet (Vox) and fixed-line calls at the touch of a button, as well as a range of high-tech features on the phone, including free info services such as RSS feeds, weather forecasts, a bid-watcher and an online phonebook. Who wouldn't want a phone that saves you money, pays you to receive calls, sets up in a flash and offers true choice when making calls?

How to enter
SMS "AR1" to 31965
before 1 April 2011.

SMSs charged at standard rates.
Terms and conditions apply.
See below.

Vox Stuff competition terms and conditions: 1. Prizes are not transferable for cash. 2. The editor's decision is final and no correspondence will be entered into. 3. Employees of Vox Telecom Limited and their families, ad agencies and PR representatives may not enter competitions. 4. SMSs are charged at R1 each. 5. Prizes that remain unclaimed two months after notification will be forfeited. 6. Prizes will only be delivered within South Africa. 7. All entrants accept to agree and abide by these terms and conditions. 8. The sponsor and Vox Telecom Limited shall not be held liable in any way for any loss, damage or costs arising, suffered as a result of offers or competitions. 9. All recipients/winners must be 18 years or older and must be able to produce a valid ID document as proof of identity.

MY GADGET LIFE

Keith Laaks

Vox's Chief Technical Officer, whose home language is Technical, tells us what turns him on

At what age did you realise that Technical was your first language?
I first realised that I was a techie growing up in Umtata. I discovered that the only way that I would be able to receive the first television broadcast was to build my own high-gain five metre antenna. I didn't really know what I was doing, but after raiding the local hardware, I managed to figure it out. That first episode of *The Avengers* was brilliant!

What telco technology revolutionised the industry?
The rapid increase in the development of processing power has made the biggest difference. It doesn't matter how well your data is transmitted (fibre, wireless, etc.); unless you've got the processing power at either end to make optimum use of that capacity, you're buggered. Just to give you an example, the cellphones that we carry in our pockets these days come with 1Ghz processors and 32GB RAM. 20 years ago you would have needed a mobile home to carry that sort of power around with you.

What was the first gadget you ever owned?
The first gadget I owned was a portable record player. It was the size of a suitcase (which was considered tiny in those days), and the speaker was contained in the lid. After taking it apart several times, I convinced myself that I had improved it…

What do you get up to in your spare time?
My free time is mostly taken up by my kids and DIY, but when I do get a few minutes to myself, I generally spend time with my Yeasu FT-847. For those of you that don't speak Technical, that's a Ham radio. Radio Amateurs (a.k.a Hams) use two-way radio communication to make contacts with other radio amateurs all over the world. It happens on a specific frequency, using a specific mode of transmission. Probably the most fun I have had with the radio is when making contacts with astronauts and cosmonauts in orbit on the MIR Space Station, Space Shuttle and the International Space Station.

What's the next big thing?
In this industry, there are so many developments happening on a daily basis, that it's not easy to be an oracle. However, high-definition voice is definitely something that'll make an appearance in the telco industry in the next couple of years…if not sooner. Currently, voice calls are like listening to AM radio and HD voice is like listening to FM radio – once you've heard the difference, you won't want to go back.

VOX SUPAFONE

Selecting a phone for your household or business is not a simple process. There are so many options available and this relatively new thing called internet telephony sounds a bit confusing. The main objectives you want to achieve are lower telecoms costs and reliability. Well, our latest product - the Vox Supafone - is about to rock your world.

WHAT IS IT?

In 2010, we launched an IP phone that, overnight, became one of our flagship products. Not only does it bring cutting-edge technology to the table in terms of IP technology, it also makes use of our carrier-grade telco network. In a nutshell, the Vox Supafone is a multi-functional cordless (DECT) phone for making calls over the internet.

And because Vox strives to offer customers choice, the phone offers dual mode functionality, which means customers can choose between internet (Vox) and fixed-line calls at the touch of a button. Yip, we're that sure about our offering.

The Supafone is called "the Supafone" because it really is that good. Our technical guys worked with Siemens Gigaset for over a year to develop an IP telephony solution that was ideally suited to the South African DSL environment. What came out of the process at the end of the day was a phone that worked just like a DECT analogue phone and saved customers money in the process, but essentially just plugged in to a residential or SME's ADSL line.

HOW DOES IT WORK?

The Vox Supafone works just like a normal landline phone, but uses the ADSL data network to send and receive voice. ADSL is a data communications technology that enables really fast transmission over copper telephone lines (i.e. the most reliable way to surf the net). What does this translate to? Simple…great savings!

Did you know?

The Vox Supafone enables users to make up to three calls at once and surf the net at the same time…pretty cool, hey.

Six reasons to go out right now and buy the Vox Supafone

One
Use your ADSL to make calls and surf the net

Two
Save on all outbound calls

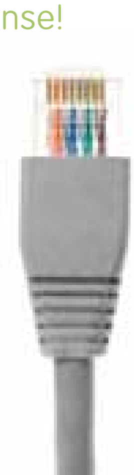
Three
Earn rebates on all incoming calls

Four
Free Vox-to-Vox calls

Five
No contracts

Six
Superior quality, plug-and-play phone

Make better use of your existing ADSL connection. It just makes sense!



14 cents per minute	**13%**	**15%**	**21%**
The rebate that you get paid when you receive calls on your Vox Supafone	The percentage that the average customer is getting back in rebates	The percentage of free Vox-to-Vox calls on the Vox Network	The average monthly increase in Vox Supafone voice traffic

THE FEATURES YOU ACTUALLY NEED TO KNOW ABOUT

Choose us
Vox is all about choice, so we give you the choice of multiple networks when dialling out (but obviously we want you to choose us).

Talk for less
We have spent over 12 years building an international network that provides our customers with carrier-grade voice quality and we have interconnect agreements (that means we're pals) with local and international telcos. Bottom line, we can save you up to 50% on your outgoing calls.

Call and surf
Make up to 3 calls simultaneously and surf the net at the same time. You'll probably need more than two hands to do this though.

Rebates on incoming calls
We know it's a crazy notion, but seriously, we pay you to receive calls.

Free[dom]
Can you believe that you can chat to other Vox users for free? Unbelievable! So, whether you need to contact branches, friends and family around the country, do it for free.

Real-time itemised billing
Vox is the only telco to offer real-time itemised billing information, for both outbound and inbound calls. So, you can check up on your kids from anywhere in the world.

Speaker phone
Doing your nails, making coffee and talking on the phone is as easy as pressing the button.

Six DECT wireless handsets
The Vox Supafone can handle up to six handsets, which means that you should be able to answer the phone wherever you are.

Range
The Vox Supafone handset has a 50m range indoors and a 300m range outdoors. Walk next door and see for yourself.

Which outfit?
The Vox Supafone offers up-to-the-minute weather reports, so that you can choose your outfit before you go outside.

Plug, then play
There's nothing complicated about setting up the Vox Supafone. With our user-friendly quick start guide, our auto-configuration system and our helpful service centre, you'll be ready to make cheaper calls in no time.

Eco DECT energy saving
The Vox Supafone is equipped with Eco DECT and offers an 80% reduction of the transmission power in standby operation and when making calls. Makes the greenies happy.

CLI
Caller Line Identity (CLI) equipped, which means you can always tell who's calling you.

Round-the-clock support
When you buy a Vox Supafone you get 24/7/365 support, which helps when you can't remember how to dial your voicemail at two in the morning.

SUPAFONE TIMELINE

May 2009
Vox evaluates a multitude of IP phones

July 2009
Siemens in Germany is selected as the supplier of technology

August 2009
Systems implementation, process design and marketing projects begin on the South African side

November 2009
The first demo units arrive from Germany

February 2010
Test units go out to market

April 2010
The Vox Supafone is released to the market

AVAILABLE PACKAGES (I.E. HOW MUCH DOES IT COST?)
There are two routes that you can go:

Rent
You can "rent" one on a monthly basis (with no contracts, which is super cool) and either choose the Package 225, which consists of R200 worth of talk time every month, or you can go with the Package 500, which consists of R500 worth of talk time every month.

Buy
You can buy one outright for R999 from a range of retailers (see page 58) for all the details about the Vox Supafone's retail strategy).

Did you know?
The Vox Supafone has a range of standard features, including real-time itemised billing, caller line ID and free voicemail.

Where can you get it?

You can buy online at **voxsupafone.co.za** or you can get hold of one of these hot items from your nearest Vox Dealer, Makro, Dion Wired or @lantic store.

TIME TO SPLASH OUT

Because you'll be saving on your telephone calls (and earn rebates when people phone you), you will have some extra cash in your back pocket to do whatever you want. Just how much will you save?

Here's the breakdown:

1. 26% on cellular calls
2. 40% on national calls
3. Up to 50% on international calls
4. And best of all, Vox-to-Vox calls are absolutely FREE

WHY WE LOVE THE SUPAFONE

The Vox Supafone is an easy-to-use (plug-and-play in most cases) device that delivers high-quality telephony at a lower cost than other alternatives out there.

YOU SHOULD BUY THE VOX SUPAFONE IF:

- You have ADSL
- You spend more than R200 per month on your phone bill and you want to bring your telecoms costs down
- You own a small business
- You have multiple branches
- You have family overseas
- You have friends (and family) in Cape Town, Durban, PE, etc.
- You want to talk for free
- You want to own a phone that beats all smartphones
- You want to be hip

WHAT VOX SUPAFONE CUSTOMERS ARE SAYING...

"Crystal clear speaker phone – what a pleasure"
Tyrone, Johannesburg

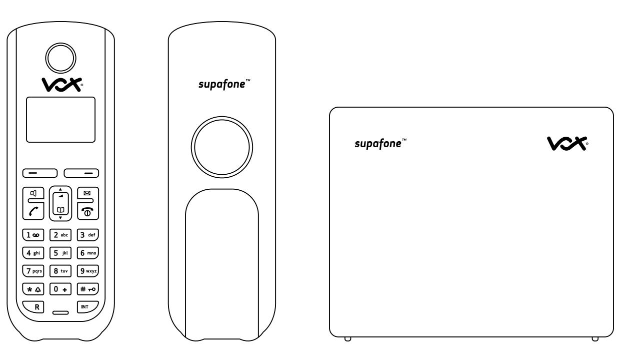
"I travel around the country a lot and the cool weather feature as a screensaver is so useful"
Simon, Cape Town

"Unbelievable battery life – I left my phone off the cradle for a few days and couldn't believe it still had battery life!"
James, Pietermaritzburg

"I'm loving the increased range – I can walk around my house and have no drop in calls"
Julie, Cape Town

"Simple, easy to use and I earn rebates. What more could you I ask for?"
Shaun, Johannesburg

VOX SUPAFONE



TECH SPECS

Range indoors | outdoors: 50 m | 300 m
Expandable to up to 6 handsets
Parallel calls internal / external: 3
Standby time | talk time: 210 h | 25 h
Missed calls list: 25
Handsfree
Adjustable handset volume
Address book
Automatic redial function in handset
Plug-and-play installation
Date reminder function / alarm call
Time / date
Caller Line Identity
Intercom key
Illuminated keypad
Message indicator key
Up to 60% less power consumption (ECO DECT)
Equipped with speech transmission encryption
Selective internal calls
Internal transfer of external calls
Codecs:
G.711,G.722, G.726, G.729AB

SOLUTION

Zeppelin

A massive offering for small businesses.

www.voxzeppelin.co.za

VOX HOT BUY

The name **"Zeppelin"** was chosen because this product offers massive delivery. Zeppelins were airships (first flown in the early 20th century) that were a revolutionary design. They were much larger than traditional airships, enabling them to lift heavier loads and use more powerful engines.

As a small business or SME, there are only three things that you want from your telco: an internet connection that doesn't bankrupt your business (i.e. low cost); one that can be installed in the quickest possible time (i.e. so that you can start making money); and one that offers great quality (i.e. so that you can add voice if you need to).

We recently tested a product called Zeppelin from Vox, and it seems to tick all the boxes. Zepplin is a competitively priced 4Mbps dedicated wireless voice and data solution that's perfect for businesses and SMEs. In fact, it's the most affordable access solution available.

Over the years, we've heard the corridor chatter around the ineffectiveness of wireless as a business voice and data solution, and we've sometimes agreed… when you're talking about general wireless broadband. But that's where Zeppelin flies above the rest. Zeppelin is actually not a broadband solution, but rather a dedicated point-to-point microwave service, which translates to secure, reliable bandwidth, with a guaranteed 4Mbps. Because you link directly to Vox's infrastructure, you can also use Vox's carrier-grade network for Cristal clear voice calls. We've tested it extensively and let's just say we're impressed.

But we haven't even got to the best part yet – the price. At R19,950 per month, Zeppelin is literally the most affordable offering in the market. The price includes the cost of the line, bandwidth allocation, router and gateway to enable voice. That means if you wanted the same service via a traditional line you'd need to fork out around R55,000 per month! Now we're not sure what business wouldn't be interested in a R300k saving a year…

Then add in the fact that Zeppelin is quick to install and you can chuck out any old infrastructure that you've got, as well as the fact that it integrates seamlessly with Vox's Cristal Vox voice product, and Zeppelin looks unstoppable. So, an affordable product that offers lower cost calls, reliability, rebates, quick turnaround times, security, geographic numbers, number porting and it's the most affordable offering in the market…all we can say is – bring it on.

Why we think Zeppelin has your name all over it:

- It's the most affordable access solution in the market
- Significantly reduces data and voice rates
- Full integration with Vox's carrier-grade voice offering
- Replaces traditional infrastructure
- It's the most affordable access solution in the market
- Fast installation times
- Consistent access and high-quality calls
- One account manager, with online itemised billing and one point of contact

TELECONFERENCING

Voxair

It's about time someone introduced a hassle-free teleconferencing service

www.voxair.co.za

How often do you want to either chat to multiple colleagues or mates at once, but it's too much of a hack. Yes, you may be willing to dish out more every month to get the conference calling service enabled on your cellphone, but to be honest with you it's not an option for everyone, especially if you want to add more than two people to the conversation. Well, thank goodness for Vox's recently launched service, aptly named Voxair.

Voxair is a high-quality, secure teleconferencing solution that's primarily aimed at multi-branched businesses and out of office users, but it's also brilliant if you want to chat to all your mates when the rugby is on.

So what's so good about it?
The first thing that stands out for us is the number that you need to dial into. While other services' numbers that we've come across are complicated, Voxair is simply 01 0001 0001. We have even come up with a little jingle…but that's for another time.

In terms of how it works, there's not too much to say. To get started, you simply dial 01 0001 0001 from any telephone line (fixed or mobile) in South Africa, enter a 4 digit conference call ID and PIN and join the conference. No reservations or contracts are required (which is another top notch feature) and the service has no limit to the number of participants or duration of call. Go you good thing!

With the high costs of air travel, both from a financial and time investment point of view, it makes sense for us to have our meetings using Voxair. And while it doesn't come with a free drink and the choice of chicken or beef, it gives us free calls to Vox customers, which settles that debate quite quickly.

How to get going…

Decide on a time to conference call with your friends/colleagues, as well as a unique 4 digit PIN number that you will need to enter if you are the conference call organiser.

Then let your friends/colleagues know about the time and the PIN number.

Call **01 0001 0001** from any telephone line (including fixed lines and mobile phones).

If you are organising the conference call:

- Enter the 4 digit PIN number that you have already chosen, followed by the hash key.
- Enter the same number again for security purposes, followed by the hash key.

If you are not the organiser:

- Just enter the PIN number that the organiser sent you twice and join the conference.

Cristal Vox

The future of voice is here | www.cristalvox.co.za

After some in-depth analysis of Vox's flagship corporate voice product, we all came to one conclusion: Cristal Vox is hot and will continue to get hotter. You see, Cristal Vox offers businesses a complete package in terms of voice implementation – savings on all outbound calls, rebates on incoming calls, choice in terms of infrastructure, one point of contact, number porting, etc., etc. In a nutshell, Vox is able to offer all of these cool features because of a really sophisticated first-tier network (the savings bit) and a host of interconnect agreements with other major telco players (the rebates bit). Their network, which consists of both local and international routes, interconnects with other telecommunications networks and, instead of pocketing all of the revenue that passes between network players, Vox gives some of that straight back to customers. And the (predicted) regulatory changes will only make this a better product.

Businesses want great voice quality, reliability and savings, three of the issues that Cristal Vox answers straight off the bat. For far too long businesses have been limited in their choice of telephony options, but now Cristal Vox offers per second or per minute billing, a complete replacement of current infrastructure, termination of all traffic types and a range of affordable in-house PBX plug-ins.

During the course of our tests we realised that this product is the future of voice. Cristal Vox offers businesses cost-effective voice solutions, geographic numbers or number porting, dramatically increased savings with rebates on incoming calls, consistent access and high quality calls, one account manager and quick response and fault resolution times. So now you can see… we're not joking when we say that Cristal Vox really is an all-in-one corporate voice solution. It's like someone offering you a faster, more economical car at half the price – and you're able to get all of the accessories from the same place.

Vox says ★★★★★

Businesses want great voice quality, reliability and savings, three of the issues that Cristal Vox answers straight off the bat.

WHAT WE LIKED

Complete telephony infrastructure solution You can now (finally) chuck out your old infrastructure and deal with one supplier, one contact person and one billing entity. And you save bucks.

Port your number: There's nothing worse than just printing a wad of business cards and then having to change your number. Well, now you don't. Keep your number and be happy.

Rebates on all incoming calls: We're still trying to wrap our heads around this one, but to cut a long story short, for every inbound call, Vox gives you a rebate…yes, you get paid to receive calls. Crazy.

Top notch quality: Cristal Vox delivers amazing voice quality ("Cristal" clear). It's better than traditional SIM termination and Vox's carrier-grade network offers a level unlike we've ever experienced. You just wanna talk.

FIRST TEST

Vox Cocktail

On the fly internet…yes please!

People (including you and me) like choice. If you could have three cars for the price of one, you'd probably go for it. Imagine being able to have a 4x4 for trips away, a sports car for weekends and an economical run around for the week…all for the same price as what you're paying for your current car. And that's similar to what Vox Cocktail will offer you, when it's launched by Vox in 2011. **Vox Cocktail is a blended ADSL product aimed at sophisticated internet users. It will allow users to switch (on the fly) between different types of ADSL usage, e.g. between shaped, unshaped, local, etc.**

After taking it for a spin, we understood the true value of this product. **It allows the user to control the type of bandwidth usage at any time, which translates to a lower-cost, higher-quality experience.** Currently, as an internet user, you need to pick a single package (shaped, unshaped, local, etc.) and hope to hell that you've made the right choice. But with Vox Cocktail, you don't need to worry. At the click of a button you can **select shaped for day-to-day high performance** email and web browsing, catching up on the news, etc., **unshaped for evening share trading, online gaming, music downloads, etc.** and local for uploading and downloading from local servers, working on your office network from home, etc. And *voilà*, you can have your cake and eat it.

We can't wait to see the market shaken (and stirred). We'll be the first in the queue.

@LANTIC SEVENS (On top of their game)

The year under review saw @lantic's fourth year of involvement with schools' Sevens rugby in South Africa. In that time, the @lantic Sevens Series has seen more than 1,000 teams partake in what has become the largest schools' Sevens tournament in the world. The series consists of 15 provincial tournaments hosted in each of the traditional rugby provinces and culminates in the national champion's tournament played in November each year. Schools' Sevens provides the opportunity for skilled players to display their talent on a national platform – something that may not ever happen in 15-man schools' rugby. @lantic is committed to the development of this series, focusing on setting up structures that ensure school boy players have the skills necessary to succeed by the time they reach the professional ranks. @lantic works hand-in-hand with Springbok Sevens coach, Paul Treu, on the development of the players and identification of national talent. The @lantic Sevens Series will be used as a feeder for IRB Sevens World Series and the Olympic Sevens squad in 2016.

TESTED

Legogo

Cloud computing at it's best

www.legogo.co.za

Legogo is one of Vox's most interesting products. Vox has teamed up with Google to offer a customised version of Google Apps Premier Edition (which they've called Legogo) to its customers.

Legogo is a business tool that lets you **email, chat and create/store documents online**. The cool part about it, however, is the fact that it's always available or, as the techies like to say, **"in the cloud"**. What that means is that all of your emails, documents, spreadsheets, notes, pics, etc. are stored in Google's international network of secure facilities and not on your local network or PC. So, instead of having to wait until you're back in the office, **you can simply just access your "network" of emails and documents from wherever you are.**

It makes sharing and collaboration a synch and requires no additional hardware or software. Instead of having to save a document as version 45.3 and then emailing it to your colleagues, you can all work on the same document at the same time. Plus you get an insane amount of storage space, cutting-edge archiving, great spam filtering, 99.9% uptime and full integration with your BlackBerry.

> The cool part about it is the fact that it's always available or, as the techies like to say, "in the cloud".

Calendar
Get a web-based calendar that offer group calendars and tasking, integration with email and mobile access

Video
Legogo enables you to host and stream your videos online, securely and without the need to email large files around

Documents
Have access to online documents, spreadsheets, drawings and presentations that can be edited and shared at the same time

Sites
Create secure web pages for intranets and team projects without the need for coding or HTML skills

Mail
Get a massive 25GB of storage, instant search tools and awesome spam and virus filtering

Talk
Legogo gives you access to Instant Messaging, plus voice and video chat

The Vox peleton covered 525kms over four days during this year's Vox Cycle Tour.

Throughout the year…

VOX ATHLETES IN ACTION

A sneak peak at all the cool things Vox staff members get up to.

NEW VOX CYCLING KIT

Vox recently launched a new fully branded set of cycling kit. It's a high-tech outfit that carries Vox's primary colour, as well as the logos of each division within the Group. Want to win a set? Turn to page 53 now.

GARY VAN DEN BERG

SUPERBIKE

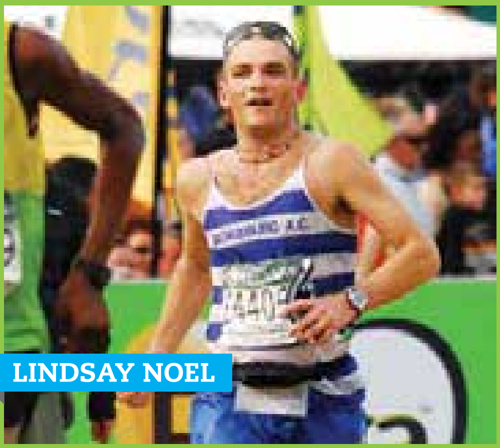
Gary van den Berg (sponsored by Vox) won his third consecutive Northern Region's Unlimited Superbike Championship this year.

SIMON BUTLER

IRONMAN SOUTH AFRICA
Simon Butler on his way to completing his first Ironman race. The race consists of a 3.8km swim, 180km cycle and a 42.4km run.

THE 2010 COMRADES MARATHON

Lindsay Noel, Tebogo Alfie Sekoboane and Shane Chorley and all partook in the momentous 2010 Comrades Marathon.



LINDSAY NOEL

TEBOGO SEKOBOANE

SHANE CHORLEY

MURRAY STEYN

FISH RIVER CANOE MARATHON
Murray Steyn punches through a wave at the Keith's Flyover rapid on Day 1 of the Fish River Canoe Marathon.

SANI2C
Clayton Timcke hits the beach on the final day of the 2010 Sani2c Mountain Bike Race.

CLAYTON TIMCKE

// Vox's culture is sporty and adventurous

BIG DAY OUT

Vox Loves Boks

Vox launched their "Vox Loves Boks" (as in Springboks) campaign at the inaugural SA vs. New Zealand rugby test at Soccer City in August this year.

Vox invited a range of customers, suppliers and staff to bear witness to one of the most significant days in South African rugby. The Springboks played the All Blacks on the 21st of August in what turned out to be both an amazing and disappointing day. The disappointment was the outcome of the game, however, the 94,000 fans that rallied behind John Smit (it was his 100th game) and the Boks created an utterly incredible atmosphere; in what is arguably one of the best sporting stadiums in the world.

What a game. What a day. What a venue. And Vox was there.

THE DAY The highs and lows

- **13** Everyone arrives at Vox Head Office
- **14** Guests are kitted out with 'Vox Loves Boks' shirts and cushions
- **15** Vox branded tent gets every-one pumped up for the game
- **16** The stadium and SA flags are awe-inspiring
- **17** Everyone unrolls the 'Vox Love Boks' flag
- **18** Boks lose and John Smit goes down on one knee
- **19** Vox guests party hard after the game
- **20** Traffic makes it near impossible for buses to reach us
- **21** Additional opportunity to party makes up for it
- **22** The buses signal the end of an amazing day

TIME TO CHANGE?
Cristal Vox is the new Least Cost Routing (LCR), but far better. Cristal Vox is a low-risk solution – guaranteed savings on more traffic types. It has no limits, offers complete choice and is the first step to true convergence.

Retro chic

1996

The Siemens CTI (Cellular Transmission Interface) GSM Interface

What's the story?
Least Cost Routing (LCR) is a method of automatically selecting the least costly facility or carrier for the transmission of a telephone call. In non-technical that means, for example, that it's cheaper to call Vox-to-Vox than from Vox to another network. All that the CTI did (it's essentially just a cellphone in a box) was route outgoing calls via the cheapest route possible.

Who was it for?
The CTI was intended for SMEs and businesses and its main objective was to save customers on outbound GSM call costs. The CTI could be connected to a PBX, a standard telephone set or to a network (LAN) and could be used for voice, data through GPRS, SMS and analogue faxing.

Did it work?
Because the CTI was just a cellphone, companies would place the units as high up in the building as possible (to get the best available signal), which was usually in the roof of the building. There were many reports of guests at hotels and staff in office buildings complaining of hearing mysterious voices in the walls! But, to sum it up, it worked very well. It simply plugged into a telephony network and started making calls.

Why it was cool?
The CTI was cool for businesses because it was able to halve costs in some instances. It was pretty much a plug-and-play device and would automatically route non-PSTN calls over the GSM network. The simplicity of the cellphone-in-a-box-with-stickytape-over-the-earpiece concept also earns it some gold stars in our books.

ALSO IN THE 90s The Internet grows, cellphones begin to take off and people start surfing

The Internet explodes
In 1991, the Internet connects 600,000 hosts in more than 100 countries. Today that number extends into the hundreds of millions.

Cellphones make an appearance
In 1996, the world had, on an average, 2.4 cellphones per 100 inhabitants. To put that into perspective, today it's over 65 cellphones per 100 inhabitants.

Surfing that doesn't require water
In 1992, the term "Surfing the Internet" is coined by Jean Armour Polly, a librarian living in New York.

Vox Stuff

Write to us at editor@voxtelecom.co.za to win a set of Vox Telecom cycling gear! Simply tell us what you think next year's Annual Report theme should be, before 1 April 2011.

Vox Telecom's latest range of cycling gear is manufactured by Vermarc in Belgium. Vermarc sponsors top pro tour teams like Milram, QuickStep and Omega Pharma-Lotto and makes use of the latest technology fabrics, including Second Skin, Windtex, Flexothane and Zaffiro (we're not really sure what they do, but they sound cool). The kit up for grabs includes a set of bib shorts with the best available chamois and a fully breathable mesh top with full-length zip (for those days when you really need to look like a pro). Want to stand out in the crowd with a set of this awesome kit? **Well, get typing.**

VERMARC® Sportswear

BUT WAIT…THERE'S MORE

The best suggestion for next year's Annual Report theme will walk away with a set of Vox Telecom cycling gear PLUS a pair of Vox cycling socks. The runner up will be sent a pair socks…not bad.

This offer is subject to the competition terms and conditions on page 32.

The Ascent of Mont Blanc

By Tony van Marken

**The Vox Telecom Mont Blanc Expedition
September 20 – September 29, 2010**

Every year I take a group of Vox Telecom employees and senior management on an adventure somewhere in the world. After successful expeditions to Tanzania in 2007, Ecuador in 2008 and Turkey in 2009 this year we set our sights on the challenge of climbing Mont Blanc in the French Alps.

The 15-person Vox team set off from Johannesburg on September 20 for Geneva and from there to Chamonix, the climbing mecca of France. Most members of the team had previously participated in the 2007 Kilimanjaro, 2008 Ecuador or 2009 Ararat expeditions, but we did welcome a few virgin climbers in Caitlin Reed and Bistra Velinova. After four days of intensive training on the rock faces and glaciers around Chamonix we prepared for our ultimate objective.

Mont Blanc or Monte Bianco (French and Italian, respectively, meaning "White Mountain") is the highest mountain in the Alps, Western Europe and the European Union. It rises 4,810m (15,782 ft) above sea level and is ranked 11th in the world in terms of topographic prominence. It is also sometimes known as "La Dame Blanche" (French for "The White Lady").

On the summit of Mont Blanc

We originally planned on a 3-day ascent of Mont Blanc after completing our training, but due to the closure of huts on the mountain and poor weather we had to make our summit attempt from the Tête Rouse Hut, which is at a much lower altitude of 3,167m. This would unfortunately result in a 2-day climb and add about 5 – 6 hours to the summit day and would ultimately take its toll on the group.

The route we were climbing was not very technical, but necessitated the use of crampons, ice-axes, helmets and ropes and we organized our group into eight rope teams, each led by an expert French Chamonix guide.

After a very short sleep we awoke at 1am on September 27th to a cold clear night sky. There was fresh snow on the mountain, which would make breaking trail very hard, but there was only a light breeze.

The Vox Telecom team takes on the challenge of climbing Western Europe's highest peak…

EXPEDITION BLOG

http://www.humanedgetech.com/expedition/MontBlanc2010/

Each Vox mountaineering adventure is updated live on a dedicated expedition blog. The blog is updated via a satellite modem by Tony van Marken and includes photographs and records of events on a daily basis. Highlights of this year's expedition included crampon training, ice and rock climbing practice and, of course, the eventual summit of one of Europe's highest mountains.

The temperature was as low as minus 20 degrees.

The team found the going very hard with an initial steep rock climb up to the Goûter Hut followed by a very demanding ascent over Dôme du Goûter to the summit of Mont Blanc.

Eventually at around 11.30am Tony, Matthew, Shane, Simon and Lindsay reached the summit in bitterly cold conditions. Gary Sweidan and Gert Koen made the summit of Dôme du Goûter. Our final summit day was 17 hours and involved 1,950m of cumulative ascent followed by 3,500m of cumulative descent, which in climbing terms is a massive day. The temperature was as low as minus 20 degrees.

After an epic day on Mont Blanc we returned to Chamonix to recover, eat and rest. On September 28 we bid farewell to France and headed over the border to Geneva from where we flew home to Johannesburg.

Although the entire team did not make the summit this year, it was a fantastic adventure with everyone gaining new climbing skills, experiencing one of the great mountain ranges of the world and acquiring a greater appreciation of the challenge of climbing some of the world's highest peaks.

Next year we are going back to our roots and are taking a group of Vox employees who have not been on an expedition to Tanzania to climb Kilimanjaro.

Till next year…

HELMET: A helmet is an absolute necessity while mountaineering to protect against falling ice and rock, as well as dropped gear. A helmet needs to be lightweight and robust, with a hard shell and adjustable suspension system that enables a perfect fit.

VOX BUFF: A buff is the perfect climbing accessory. It is a simple, very flexible, piece of clothing that is woven into a tube. It serves a multitude of purposes, including keeping breath moist in freezing weather, protection against the sun, warmth as a neck gaiter and a filter in dusty conditions.

HARNESS AND ROPES: A basic harness and suitable ropes are a necessity when any technical climbing is expected. Ropes protect mountaineers on exposed sections where a gust of wind or a slip on the snow or ice could be catastrophic, and the harness is the vital element that keeps all the ropes together.

MITTS: Wearing gloves when ascending a mountain is necessary to protect against frostbite. Mitts needs to offer warmth and a dry environment for a mountaineer's hands, and at the same time need to be light and flexible.

ICE AXE: An ice axe is a multi-purpose ice and snow tool for both ascending and descending. It can be used in a number of different ways, depending on the terrain. It functions as a walking stick, an ascent tool when climbing or an anchor when required.

CRAMPONS: To combat slippery ice on a frozen mountain, more traction than the typical boot can provide is necessary. 12-point crampons allow for every part of your boot to be used when stepping, but also bend to make walking easy.

The Vox Telecom Expedition Team

Tony van Marken	Jack van Wyk	Gert Koen
Matthew van Marken	Shane Chorley	Michael Marriott
Carol Zeederberg	Douglas Reed	Bistra Velinova
Gary Sweidan	Jane Reed	Lindsay Noel
Gary Webster	Caitlin Reed	Simon Butler

INDUSTRY

In-store and in charge

Vox Telepreneur goes retail

www.vox.co.za

Vox Telepreneur, which has traditionally sold its products only via a dealer channel, expanded into retail at the end of the financial year. The decision to adopt a multi-channel approach was not taken lightly, but the success of products such as the Vox Supafone and research into the retail sector indicated that it was a natural evolution for Vox Telepreneur. The first product to be placed in store was the Vox Supafone. It is a product that is aimed at the home or small business user who has an existing ADSL connection and is perfect for the retail customer that's looking to save on (and subsidise) their telecoms bill.

The retail strategy, which is different for obvious reasons from the direct channel, has adopted an alternative model for sales of products. Whereas sales of Vox Telepreneur products via dealers is on a "rental" basis for the hardware, products sold via the retail channel is on a once-off purchase basis. This gives consumers the choice as to which option suits them, but continues to offer them post-paid convenience, superior quality voice calls, rebates on incoming calls, lower cost outbound calls and free Vox-to-Vox calls from a first-tier carrier grade network.

The first retail stores to sell the Vox Supafone were Makro and Dion Wired outlets (country-wide), but the units will soon be on sale in other retail channels around the country. As consumer awareness of the Vox brand builds, Vox Telepreneur's multi-channel approach will ensure that consumers have a convenient and clear way to make use of products and services that provide both savings and choice.

Vox's go-to-market strategy means increased sustainability and greater growth opportunities to all channels. Vox is now able to influence more "touch points" in a wider target market, increase overall channel coverage and maintain mindshare with consumers. Vox Telepreneur's mantra remains true: to challenge incumbents, bring the cost of telecommunications down and offer choice to consumers. And with the expansion into the retail sector, Vox Telepreneur is definitely on track to fulfil this pledge.

The first retail stores to sell the Vox Supafone were Makro and Dion Wired, with other stores coming online in the near future.

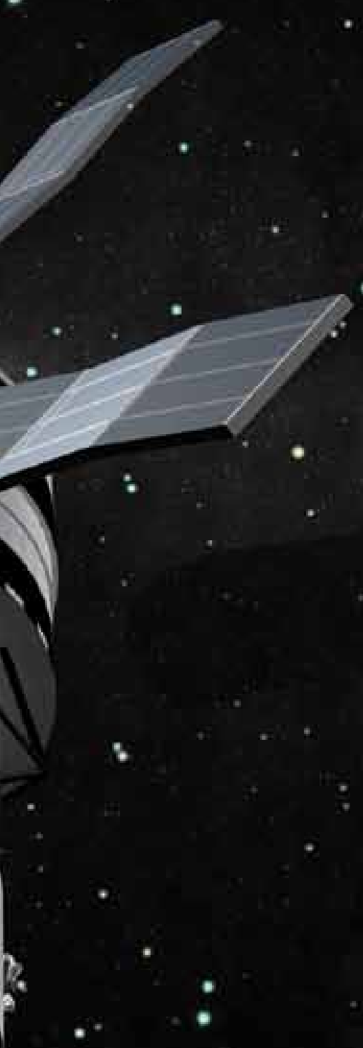
Connectivity provides a solution to one of mankind's most basic needs: communication. However, for many people around South Africa (and indeed the rest of the world) communication in the form of internet connectivity remains a highly expensive and unviable option. This lack of service infrastructure has presented Vox Telecom, in partnership with Al Yah Satellite Communications Company PJSC (Yahsat), with an opportunity to provide much needed satellite services to a wide range of "remote site" areas in both rural and urban environments around the country. Vox and Yahsat will, towards the end of 2011, offer a cutting-edge broadband satellite service to South African consumers and businesses that will deliver reliable, high-speed internet connectivity to users in areas with limited or no internet access, at costs comparable to current terrestrial services.

This will be a huge step for the South African telecommunications landscape from an economic development, social investment and telecommunications aspect. The need for connectivity is higher than ever and changes in the environment (including increased deregulation, the need to interact remotely and an increased reliance of bandwidth-heavy resources) mean that Vox and Yahsat's partnership comes at just the right time.

In the year under review, Yahsat selected Vox Telecom as a service partner to roll out this unique broadband offering to South Africa. Yahsat is a private joint stock company fully owned by Mubadala, the investment arm of the Government of Abu Dhabi (the capital of the United Arab Emirates). Mubadala is well established in the UAE and abroad, and manages a multi-billion dollar portfolio of local, regional and international projects and investments in strategic sectors, including the energy, real estate, healthcare, aerospace and services sectors. Mubadala currently invests in businesses such as General Electric, AMD and The Carlyle Group, amongst others.

Yahsat (incorporated in 2007) will launch two new satellites in 2011 over the African continent, Middle East and Europe that will cater for bandwidth-intensive services such as broadcasting, internet trunking via satellite, corporate data networks and backhauling to telecoms operators such as Vox Telecom. Their cutting-edge systems are designed to accommodate the trends of emerging applications in the telecoms industry.

YahClick is Yahsat's broadband solution. The YahClick product is cost effective, versatile and suitable for multiple segments, including consumers, SMEs and corporates with remote sites requiring reliable, fast internet access. YahClick broadband will be available in the Middle East, Africa and South and Central Asia, in 26 countries in these regions. On top of investment in the new satellites, Yahsat is investing in advanced ground segment infrastructure, which includes four gateways.



New technology to shake up the telecoms market

Yahsat's new satellite technology is based on Ka multi-spot beam, which is a major differentiator to existing satellites deployed over Africa. "Ka" is just the name given to the frequency that these satellites use and here's why they are much more suited to consumer and business use as opposed to traditional "blanket" approach satellites:

Spot beams

Ka-band makes use of "spot beams" rather than broadcasting over an entire continent, which results in far more efficient use of the available bandwidth and therefore a lower cost to end users.

Dish size

Ka-band doesn't require a very large dish (the dish will be about the same size as your current satellite TV dish) to produce high speed internet in either direction (high speed downloads and uploads).

Ka-band

Yahclick is specifically designed around Ka-band technology and acceleration techniques have been implemented to ensure optimal performance for applications such as internet browsing.

Vox Telecom and Yahsat will launch YahClick to consumers and businesses in the last quarter of 2011, changing the South African broadband landscape forever. We can't wait.

The YahClick Ka-band consumer and business broadband service complements Vox's vision of providing the widest possible range of telco products and services to consumers and businesses. Vox will offer first class packages to suit any environment and user segment, right from basic internet access for a home user to high speed service plans for the corporate user. While satellite is an obvious choice for areas that lack access to formal telecommunications and ICT services, Vox's new range of satellite packages will ensure that satellite is a viable alternative to any internet user in South Africa.

It is predicted that by 2015 internet penetration in South Africa will be around 6.7 million and satellite-specific internet penetration will be around 130,000.

YahClick and Vox Telecom's satellite broadband packages will assist with fast tracking economic development by connecting underserved and unserved environments and offer connectivity to these communities at terrestrial rates. Suddenly businesses and communities will be able to operate more efficiently online and interact with the rest of the world in a manner previously impossible.

The partnership with Yahsat presents a perfect opportunity to enhance Vox's range of cost-saving broadband services across the country.

Yahsat's new Y1B satellite employs Ka-band technology and has 55 active spot beams via Ka multi-spot beams with an EIRP (Equivalent Isotropically Radiated Power) of up to 66 dBW and reusable frequencies to maximise spectrum efficiency.

While traditional satellite technology utilises broad single beams covering entire continents and regions, YahClick's Ka-band spot beams provide coverage over highly targeted areas (a smaller footprint on the ground). This simply means more reliability, greater efficiencies on the ground, smaller antennas and lower costs for the end user, as well as the elimination of issues with spectrum availability. And with terminals that can support speeds of up to 16Mbps, there will be no shortage of high-speed bandwidth.

Vox Telecom and Yahsat at the signing ceremny in Abu Dhabi

Communications satellite milestones

Satellites have been used for communications purposes for over five decades, with the first artificial satellite, the Soviet Sputnik 1, launched on October 4, 1957. Since then, communications satellites have come a long way. Here's a list of the major milestones reached over the years, including the launch of Yahsat's new telecommunications satellite in 2011.

1957
Satellite equipped with radio transmitters launched (Sputnik 1)

1958
Communications satellite launched (Project SCORE)

1960
Passive reflector satellite launched (Echo I)

1962
Satellite designed to transmit television and high-speed data communications launched; first transatlantic television (Telstar)

How satellite internet access works

Satellite internet access works just like satellite TV (e.g. DStv) and operates according to the same technology; namely, a satellite in geostationary orbit (See below for an explanation) that communicates with the mini dish outside your home at lightning fast speeds. Your data gets transmitted via Yahsat's satellite to Vox via the gateway at the Network Operations Centre (NOC). The only equipment that you as a customer will require is a satellite modem and a dish.

1 Connect your PC
Your PC or laptop will simply plug-and-play (via Ethernet) into the Yahsat modem. You'll be able to access high-speed internet access from your home or your office.

2 Satellite modem
A Yahsat modem will be required to connect your PC/s to the Vox network. The Yahsat modem will be built to the highest quality specs, will be small and will plug directly into the back of your PC or laptop.

3 Satellite dish
This is the second piece of equipment that you'll require to connect to the Vox network. It will be much the same size as a DStv dish and will send and receives signals from the Yahsat satellite.

4 Yahsat satellite
Yahsat's geostationary Y1B employs cutting-edge Ka-band technology. The spot beam approach will ensure an efficient and cost-effective way to offer South Africans high-speed internet access.

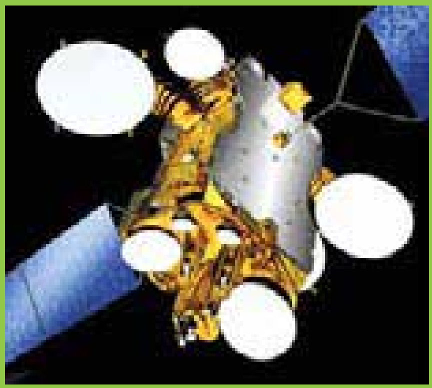
5 Gateway at the Network Operations Centre
The gateway will ensure that you can efficiently connect Yahsat's network with the internet.

6 The internet
Finally, high-speed internet access at your fingertips! You will be able to surf the web at high speeds, download movies and music, share photos and more – all at cost-effective rates.

Keeping up with earth

Yahsat's Y1B will occupy a geostationary orbit, which means it will keep up with the rotation of the earth. While modern communications satellites use a variety of orbits (including Molniya orbits, other elliptical orbits and low earth orbits), geostationary orbits are the most effective for telecommunications purposes.

A geostationary orbit is one in which the satellite is always in the same position with respect to the rotation of the earth. A geostationary satellite revolves around the earth at a constant speed once per day over the equator at a high altitude (approximately 35,790 km above the earth). It is best suited to telecommunications applications - including satellite internet and satellite TV services such as DStv - because ground-based antennas, which are directed toward the satellite, can operate effectively without the need for additional equipment to track the satellite's motion.



1964
Communications satellite launched in geostationary orbit; first Olympic broadcast to international audiences

1965
First satellite for commercial service launched (Early Bird)

1972
Domestic communications satellite system launched, based on a geosynchronous orbit (Canada)

1976
First serial direct-to-home TV communications satellite launched

1983
Satellite designed to provide communications relay services for other spacecraft launched

1992
MultiChoice launches analogue satellite pay-TV service

2010
Vox Telecom appointed as Yahsat service provider

2011
Yahsat to launch geostationary satellite (Y1B)

VOX TICKYBOX

Community communication

Shaping the future of common interest communities

What is "common interest telecoms?" In a nutshell, it is the telecommunication infrastructure and services foundation that enables the growth and long-term sustainability of a community to the mutual benefit of all parties in that community.

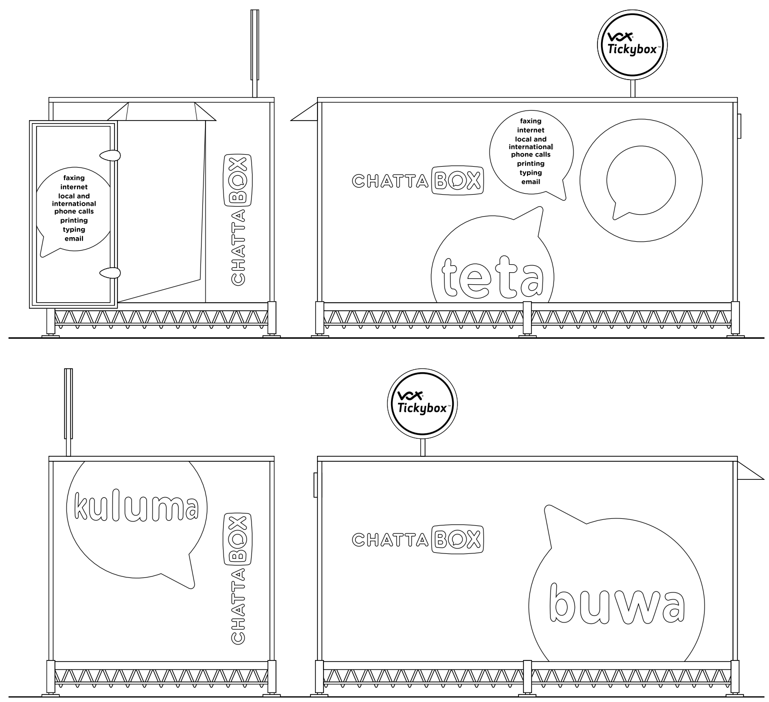
South Africa is a big place. In fact, it's the 25th largest country in the world, with vast areas that are marked by a lack of telecommunications infrastructure and informal and unstructured trading environments. Within these environments, however, sits a second or informal economy that is estimated to have a value of around R300 billion. This second economy includes rural, peri-urban and metropolitan areas that do not have access to affordable and reliable telecommunications infrastructure. And it cannot be underestimated the value that internet connectivity plays in both the social fabric and economic development of common interest communities within this economy, which include groups of people that run co-operatives, small businesses, churches, street communities, etc.

Vox Tickybox, of which Chattabox is one element, was formed to assist in developing telco services in these common interest communities that are not only sustainable, but also beneficial to all partners in the community. Vox Tickybox aims to avoid scenarios where large businesses supply services to a community, but offer no investment and have no sustainability model in place. Although enhanced telecommunications infrastructure increases a common interest community's access to information, it also makes it easier for large urban businesses to capture these markets, thus inhibiting local community development. Vox Tickybox's objective is to create a telecoms foundation for these communities to grow, while at the same time ensuring that ownership of the services benefit the users, operators, staff and, most importantly, the community.

KWAMHLANGA, MPUMALANGA

CHATTABOX BY VOX

TECH SPECS	Size	Services
	4,800mm x 2,300mm x 2,600mm	Local and international phone calls, fax, internet, printing, typing and email.



SO, WHAT'S ALL THE TALK ABOUT?

All of Vox Tickybox's services are pre-paid, which allows both operators and customers to manage their business and usage effectively.

Part of Vox Tickybox's commitment is to ensure that once the infrastructure is in place, the outlet remains commercially viable.

Due to the nature of the geographical deployment requirements of many outlets, Vox has invested heavily in R&D and innovation in delivering voice, data and other value-added services via non-traditional access.

There are currently Vox Tickybox outlets throughout Gauteng, KZN and Limpopo, with plans to extend nationally. Vox Tickybox is also a preferred supplier to major government-funded enterprises.

Vox Tickybox offers first world telco services that are collaborative in nature. Vox Tickybox partners with existing shops, retail outlets and containers in these communities to offer services such as internet connectivity, voice calls (VoIP), photocopying, faxing, etc. A major advantage of incorporating Vox Tickybox services into communities is that customers are able to call between Vox Tickybox vendors for 20c per minute. The operators also receive a rebate on every call, which contributes to the sustainability of the business. The development of the infrastructure is driven mainly by satellite access and supplemented by fixed line services where necessary. Vox Tickybox also incorporates solar and alternate power generation technologies to offer services in areas without formal infrastructure.

With around 22 million people in South Africa lacking access to formal telecommunications and ICT services, Vox Tickybox's expansion into these environments and collaboration with operators means that our second economy will continue to grow and that common interest communities will be ensured a stake in our future.

Vox says

Chattabox, developed in conjunction with Vox Tickybox, is a community of container-based businesses that are run by operators in the local environments. Chattabox offers the full range of Vox Tickybox services, and can also act as self-sustaining learning centres for people within the area.

INTERCONNECT

Regulations schmegulations

We attempt to decipher the labyrinth that is our regulatory environment.

By Murray Steyn

The big news of last year in the telecommunications industry was the Christmas present the consumer was going to receive in the form of lower mobile call costs. Politicians had worked out that the mobile networks were making too much money and their customers were getting ripped off. Someone was going to have to pay – and it was no longer consumers. Mobile Termination Rates (also known as interconnect rates or call termination rates) were the offending mechanism and Parliament wanted them lowered before Christmas. Santa was coming!

Mobile operators were hauled into parliament to explain why they had taken advantage of the situation for so long, affected parties and consultants gave their varied perspectives on what the lowering would mean and the Regulator was hauled over the coals and told to fix things. The Christmas present became an Easter present, which was further delayed and now looks more like a "next Easter" present.

The benefit to the consumer of all of this has been precisely…nothing. Other than some niche products touted with much fanfare by the incumbents (who really wants to hear from me between midnight and sunrise on a weekday?), the benefits of the interconnect drops have not been passed on to the consumer. Perhaps what should really be on politicians' lists is some effective competition?

The entry of Telkom's mobile offering and Cell C's 4G (make that 3G!) offerings seem to have started to get the ball rolling on lower prices.

Despite both having the ability to set higher interconnect rates, they 're shaking up the market with attractive solutions and pricing. No sooner had Telkom announced its mobile consumer pre-paid voice tariffs than Vodacom responded with its new pre-paid voice pricing. Data pricing has dropped significantly despite heavy investment into new networks. Cell C has set itself some aggressive roll out targets, to reach the largest amount of people in the shortest amount of time. A proliferation of new undersea cables means that previous bottlenecks will be consigned to history. Where previously South Africans had to rely on SAT3/SAFE and some satellite for connectivity to the rest of the world, we now have Seacom and EASSy, with WACS and ACE to come.

Various players have invested heavily in data centres and you just have to drive along one of the national highways to see duct sleeving for fibre for multiple networks lying ready to be installed. All this means consumers are at last starting to have choices. And that keeps everyone on their toes!

Undoubtedly the fairer regulatory regime has had its part to play in liberalising the industry to get it to this point. But it often feels in spite of this. The Call Termination Regulations have been a stop-start affair, invitations to apply for spectrum were sent out and then withdrawn and carrier pre-select regulations were published, withdrawn and then published again, but not in any useful form. Number porting has been put into effect, but not on all numbers and there is no mechanism for giving customers toll-free service across all networks.

The good news is that we have a new Minister in charge of the Department of Communications, and this time it's one with experience of the sector. Roy Padayachie served as Director General of the Department from 2004 to 2009 and has made some positive noises already. He's promised local loop unbundling before 2011 is out, a performance management system and more resources for the regulator ICASA, and the promotion of a National Broadband Plan. Only time will tell how effectively these are implemented. In the meantime it's all about delivering real value to an ever more discerning customer.

FOR THE RECORD

Corporate social investment

Vox Telecom's corporate social investment strategy aims to make an ongoing and meaningful difference in the lives of the communities that we interact with and the people that benefit most from our services. All of our CSI activities are underpinned by the principle of sustainability and we continuously strive to engage in activities that have a significant impact across a wide spectrum of social needs.

As a responsible corporate citizen, Vox Telecom remains committed to empowering our youth and ensuring the longevity of our environment. We remain cognisant of the needs and expectations of our diverse group of stakeholders and ensure that all of our investment decisions are accountable and transparent.

The year under review saw our involvement in a wide variety of initiatives.

We also continue to provide services such as internet access and computer facilities to more than 80 schools and educational institutions, as well as supporting initiatives such as The Tomorrow Fund, SOLSA (Seeds of Light South Africa), Helping Hands, MyLife, Junior Achievement, and various feeding schemes and non-profit organisations that aim to raise the quality of life of people and communities in South Africa.

Below we outline some of the special projects we have supported over the past year.

Educo Africa

Educo Africa, which was founded more than 16 years ago, is an NGO based in Cape Town that teaches young South Africans to develop of a sense of vision, initiative and personal responsibility through wilderness-based experiential learning courses. During the past year, Vox Telecom sponsored a development programme for children from The Ark City of Refuge (a centre that provides temporary accommodation for homeless children).

MaAfrika Tikkun

Founded in 1994, MaAfrika Tikkun nurtures, educates and supports children and youth in crisis, empowering them to develop into contributing citizens of South Africa. MaAfrika's alternative development model focuses on leadership and empowerment from within the community - training members of the community and creating opportunities to deploy their skills. MaAfrika Tikkun operates in both Gauteng and the Western Cape and employs over 450 staff, with Vox Telecom now sponsoring communication amongst their branches.

The Kusasa Project

The Kusasa Project was founded to encourage a brighter future for underprivileged children by facilitating academic, sporting and life skills development. Based in the Western Cape, the core focus is on disadvantaged primary school children, most of whom speak English as a second or third language and who do not have the most basic of resources at home or in school. Vox Telecom sponsored summer and winter uniforms for the proud pupils of Dalubuhle School.

Girls and Boys Town

Vox Telecom is a corporate sponsor of Girls and Boys Town, a dynamic non-profit organisation that focuses on the development and strengthening of youth, families and communities in difficulty. Girls and Boys Town is the only child care organisation in South Africa where the youth are actively involved in decision-making concerning their own affairs. Their system of peer group self-government empowers the youth to develop unique leadership skills.

Oliver's House

Oliver's House is a charity organisation situated in Benoni on the East Rand of Johannesburg. Established in May 2001, today – with the help of support from businesses such as Vox Telecom - Oliver's House successfully manages two feeding programmes, a children's care centre, an education centre, a computer training centre. It also creates employment for 33 people.

Bateleurs

The Bateleurs programme was started in order to protect our environment. It is a voluntary organisation that transports stakeholders to threatened areas and natural resources that would otherwise be near-impossible to reach.

Vox Telecom is committed to protecting our future by conducting our business in a sustainable manner that is sensitive to the interests of all our stakeholders. Empowerment of our children (through access to information and skills development) and preservation of our environment are key to this commitment.

Alexandra Baseball Association

We continue to support under-funded sports teams and individuals, who would otherwise be unable to compete in their various disciplines. One such programme is the Alexandra Baseball Association, which is South Africa's first fully empowered baseball association. The main purpose of the association is to introduce baseball to under-privileged youth in township areas throughout South Africa. The association already has a strong membership, with over 200 children and young adults attending regular baseball clinics and games.

Two Oceans Aquarium

We are a corporate sponsor of the Two Oceans Aquarium in Cape Town, which has established itself as a key player in terms of raising environmental awareness of the marine life found in the Indian and Atlantic Oceans. The Aquarium is rapidly gaining recognition as a leading environmental education centre in South Africa.

Rocktail Bay Turtles

Situated along the north-east coastline of South Africa, the Rocktail Bay Turtle Project was initiated by Ezemvelo KZN Wildlife as a way to monitor and protect the hundreds of Leatherback and Loggerhead turtles that lay their eggs on this stretch of coastline.

WWF

Vox Telecom is a corporate member of World Wildlife Fund (WWF), which aims to conserve the world's biological diversity, ensure sustainable use of renewable natural resources and reduce pollution and wasteful consumption. WWF is the world's largest independent conservation organisation, with a network of offices in over 100 countries and over five million regular supporters.

FOR THE RECORD

Corporate Governance

Applying fairness, transparency and accountability throughout Vox Telecom

Introduction

The Board continues to be committed to applying best practice in terms of the principles of corporate governance. The Board confirms its commitment to the principles of fairness, accountability, responsibility and transparency as advocated in the second and third King Reports on Corporate Governance and has recently embraced the recommendations of the King III report. Through this process, shareholders and other stakeholders may derive assurance that the Group is being ethically managed according to prudently determined risk parameters and in compliance with generally accepted corporate practices. In addition to a good corporate governance framework, the Group is committed to complying with all legislation and regulation relevant to our business. The Board has implemented improved processes, additional controls, an Internal Audit and Risk function and appointed two independent Non-Executive Directors, one of whom has been appointed as Non-Executive Chairman and Chairman of the Nominations Committee and the other as Chairman of the Audit and Remuneration Committee. Risk measurement procedures and assessment of parameters have been enhanced in the current year with the introduction of the Internal Audit and Risk Committee.

Furthermore, a Management Risk Committee has been established to enhance the Risk Committee function. The Management Risk Committee must meet at least twice a year in which risks are identified in the Group and measures implemented to mitigate the risks. The Internal Audit Function processes the information captured in these meetings and includes these risks in the risk database.

Composition of the Board

The Board consists of three Executive and five Non-Executive Directors. Of these, there are two Independent Non-Executive Directors being the Non-Executive Chairman and an Independent Non-Executive Director who has been appointed as chairman of the Audit and Remuneration Committee. The Board sits at least four times per annum and more frequently if necessary. The Directors bring a wide range of diverse experience, diversity, insight and independence of judgment on issues of strategy, performance, resources and standards of conduct to the board. The Non-Executive Directors are of sufficient calibre for their views to carry significant weight in the Board's decisions.

The constitution of the Board during the 2010 financial year was as follows:

Independent Non-Executive Directors:
- V Cuba (Chairman)
- D Wallace

Non-Executive Directors:
- RT Dalais
- P Joubert
- E Röth
- D van Zyl (alternate to RT Dalais)

Executive Directors:
- AP van Marken (Chief Executive Officer)
- DG Reed (Group Managing Director)
- CM von Holdt (Chief Financial Officer) *
- GJ Koen(Chief Financial Officer) #

* CM von Holdt resigned effective 31 March 2010
# GJ Koen joined the board effective 1 April 2010
** D van Zyl joined the board effective 28 January 2010

The Audit, Risk, Remuneration and Nominations Committees have not changed since 2009 and are comprised as follows:

Audit and Risk Committee:
- D Wallace (Chairman)
- V Cuba

Remuneration Committee:
- D Wallace (Chairman)
- V Cuba
- RT Dalais

Nominations Committee:
- V Cuba (Chairman)
- D Wallace
- P Joubert

Independence of the Board

The role of the Chairperson and the Chief Executive Officer is separated and the Board is chaired by an Independent Non-Executive Chairman. The two Independent Non-Executive Directors are appointed under service contracts and their remuneration is not tied to Vox Telecom's financial performance. Directors are entitled to ask questions of any personnel and have unrestricted access to all company documentation, information and property.

Role and Function of the Board

The Board's main responsibilities include strategy, acquisition and disinvestment policies, risk management, financing and corporate governance. In addition, the Board is accountable for relations with stakeholders and is responsible for creating, protecting and enhancing the company's wealth and resources, timely and transparent reporting and for acting at all times in the best interests of the company and its shareholders. It is the responsibility of the Board to ensure a sound system of internal control to safeguard stakeholders' interests and the company's assets.

Full transparency of the committee's deliberation is encouraged and the minutes of all meetings are included in the formal Board papers at the ensuing Board meeting. Directors have unrestricted access to any Executive Manager or employee in the Group. There is a balance of power and authority at board level to ensure that no one director has unfettered powers of decision making.

Directors are appointed through a formal process. The Remuneration and Nominations Committee assists the Board with the assessment, recruitment and nomination of new directors, but the Board must approve these appointments and Board members are invited to interview any potential appointees. The Committee thoroughly assesses potential new directors prior to appointment.

The Board believes that all Directors, but particularly non-executive Directors represent the Company's shareholders and so it should be the shareholder body that finally approves a Director's appointment or dismissal from the Board.

The Board is responsible for its own composition, the appointment of the Chairman and the Chief Executive Officer, and the constitution and composition of its Committees. The Board has a charter setting out its policies, roles and responsibilities in the execution of its mandate described above. Each Board Committee also has a charter, or terms of reference, that is formally signed off by the Board. Annually the Committees and Board review, and amend if necessary, the respective charters to ensure their relevance.

BOARD COMMITTEES

Appointment of Audit, Risk and Remuneration Committee

In addition to the Audit Committee, the Board has established an Internal Audit and Risk Committee comprised of the Non-Executive Chairman, the Chairman of the Audit Committee and the Group Internal Auditor. The Group Internal Auditor reports directly to this committee. All the relevant Board charters for these Committees are in place and are reviewed annually to ensure relevance.

Audit Committee

The Company's Audit Committee, which meets at least twice per year, consists of two Independent Non-Executive Directors and by invitation a representative of the designated advisor, the External Auditors and the Group Internal Auditor. The Company Secretary is in attendance at the meetings.

The Committee's responsibilities include reviewing the scope, quality, independence and objectivity of the statutory audit, ensuring the integrity of the Company's accounting and financial reporting system, evaluating the effectiveness of the management functions of the Company and ensuring that appropriate systems are in place for monitoring risk, financial control, compliance with the law and codes of conduct and promoting the overall effectiveness of corporate governance within the group. The Group Internal Auditor and the External Auditors who are invited to attend meetings have unrestricted access to both the Committee and its chairperson. The Committee advises on the appointment of the External Auditors, the handling of non-audit functions by the auditors and fees in respect of non-audit services. The current auditors of the Company are Deloitte & Touche.

The Audit Committee has explicit authority to investigate any matter under its terms of reference and has access to all resources and information it requires in order to act on this authority. The Audit Committee is also responsible for monitoring all contracts entered into by the company in which any of the directors are either directly or indirectly beneficially interested so as to ensure that all such contracts are fair and reasonable and in the best interests of the company. Further responsibilities of the Committee include reviewing and reporting on King III, overseeing the quality and integrity of the annual financial statements and ensuring that the Group Internal Auditor is considered independent, applies King III, approves Internal Audit's plan and ensures that internal audit function is sufficiently resourced and skilled to effectively perform its function.

FOR THE RECORD

The Audit Committee, in response to King III and its own charter, also reports on the following:

- The Committee has reviewed the scope and effectiveness of the external auditors and is satisfied with both of these areas. The committee is also satisfied with the Group's accounting policies and that these have been consistently applied throughout the 2010 financial year;
- The Committee has considered that the expertise and experience of the Chief Financial Officer is appropriate and sufficient to perform the task according to the responsibilities and requirements of the position; and
- The use of the external auditors for non-audit service fees are reviewed annually to ensure that the independence of the external auditors are not compromised.

The Audit Committee in conjunction with the Internal Audit and Risk Committee is responsible for ensuring that all risks associated with the Group's operations are effectively managed in support of the creation and preservation of stakeholder value.

Internal Audit and Risk Committee

This Committee which meets at least twice a year consists of two Independent Non-Executive Directors. To ensure independence, the Group Internal Auditor reports to the Audit Committee. The Group Internal Auditor has unrestricted access to anyone in the organisation. The responsibilities of the Internal Audit Committee are defined and governed by the charter approved by the Audit Committee and the Board.

The Internal Audit and Risk function is an integral part of the Group's system of governance. The purpose of this independent assurance function is to evaluate whether the nature and extent of business risks are being managed effectively within the context of business objectives. A system of internal control is one of the primary means of managing risk and consequently the evaluation of its effectiveness is central to the internal audit responsibilities. Internal Audit has the complete support of the Board and the Audit Committee. Internal Audit is considered independent and will be subject to quality reviews.

The annual internal audit plan is determined through a continuous assessment and understanding of risks facing the Group. As the Internal Audit function matures it intends performing risk-based auditing and developing a comprehensive risk database in conjunction with the Sub Risk Committee. The purpose of this is to ensure that all major risks are identified and mitigating controls are implemented effectively and efficiently.

The Group's system of internal control comprises the policies, procedures and practices, as well as organisational culture that collectively support the Group's effective operation in the pursuit of its objectives. This system of internal control enables the Group to respond to significant business risks, be they of an operational, financial, compliance or other nature, and is the direct responsibility of the board and executive management within the Group.

The Group's Internal Audit function is required to report to the group Audit Committee on the effectiveness of the company's risk management process, systems of internal controls and risks that may materialise or have materialised as a result of weaknesses in the systems of controls. Any restriction on the scope of internal audit activities must be reported to the Audit Committee.

The assurance provided by the Group's Internal Audit and Risk function serves to assist the Board in fulfilling its obligations to report annually to shareholders on the effectiveness of the Group's system of internal control.

A Management Risk Committee has also been established for the Group and comprises of all the Managing Directors of the subsidiaries, relevant Executives and the Group Internal Auditor.

This Committee reports directly to the Audit and Risk Committee. The purpose of this function is to ensure operational, financial and strategic risks are clearly communicated to the Audit and Risk Committee and measures are implemented to minimise the risks.

The day-to-day responsibilities for risk management, including maintaining an appropriate loss prevention and internal control framework remains with the senior management of the Group and each business unit. The risk register will be updated regularly to keep up with the changes in the environment.

Remuneration Committee

The AltX Listing requirements do not require a Remuneration Committee to be established. However, given the size of the business, this Committee's importance has been identified and has therefore been appointed. This Committee has been in place for the last few years. The Remuneration Committee makes recommendations to the Board, within agreed terms of reference, on the Company's framework of executive remuneration and its costs. The Committee strives to ensure that levels of remuneration are sufficient to attract and retain directors and senior management of the calibre required to ensure the successful running of the Company and for their contribution to Vox Telecom's operating and financial performance.

Attendance

The following board meetings were held during the period under review.

Director/ committee member	% of board meetings attended	Number of board meetings attended (3)	% of audit committee meetings attended	Number of audit meetings attended (2)	% of remuneration committee meetings attended	Number of remuneration meetings attended (3)	% of internal audit & risk committee meetings attended	Number of internal audit & risk committee meetings attended (2)
AP van Marken	100%	3/3	–	–	–	–	–	–
DG Reed	100%	3/3	–	–	–	–	–	–
GJ Koen *	100%	1/1	100%	1/1	–	–	100%	1/1
RT Dalais	100%	3/3	100%	2/2	100%#	3/3#	100%	2/2
P Joubert	100%	3/3	–	–	–	–	–	–
VW Cuba	100%	3/3	100%	2/2	100%	3/3	100%	2/2
D Wallace	100%	3/3	100%	2/2	100%	3/3	100%	2/2
E Röth **	100%	3/3	–	–	–	–	–	–
Designated Advisor	100%	3/3	100%	2/2	–	–	100%	2/2

* *appointed on 1 April 2010*

\# *D van Zyl, alternate to RT Dalais, attended 2 of the 3 meetings*

** *appointed on 31 October 2009*

Compliance with King III

For the 2010 financial year, the Board confirms that the Group complies with the Code of Corporate Practices and Conduct as set out in the King III report, however, deviations do exist as listed below:

- The Board is aware that they are responsible for Information Technology (IT) governance, however, due to the decentralised nature of the operations and the diversity of applications used within the operations this responsibility is delegated to the respective operational IT managers. The Board will continue to monitor IT developments and to the extent that the operational governance processes need to be supplemented by a centralised formal process the relevant action will be taken;
- Vox Telecom discloses the remuneration of key staff members in aggregate and not individually for the protection of those individuals;
- Vox Telecom's Remuneration Policy is still to be approved by shareholders;
- The Board should monitor and evaluate significant IT investments and expenditure. The current nature of the assets and the complexity of the calculation require a person with appropriate and specific telecommunications infrastructure experience to judge the expected return on investment. A collective Board decision will not add value to this process, however, there are senior officials within Vox Telecom that are able to provide assurance to the Board on the IT environment;
- The Board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards of the Company and its business. This, however, is an iterative process and while the Board has a basic understanding of the relevant legislation a legal due diligence is in the process of being completed which will form the basis of a continual education process;
- Vox Telecom's Internal Audit function is still at an early stage of development and has been focussed on internal processes and procedures. As the function matures the Board expects the process to evolve into an effective risk-based audit process;
- The Board evaluation charter is being formalised and the evaluations are planned for early 2011; and
- The Group is still in the process of establishing the appropriate level of integrated reporting. Management is compiling the relevant information relating to economic and social impacts and looks forward to presenting a detailed integrated report in 2011

Accounting and Internal Controls

The Board has established controls and procedures to ensure the accuracy and integrity of the accounting records and to provide reasonable assurance that assets are safeguarded from loss or unauthorised use and that the financial statements may be relied upon for maintaining accountability for assets and liabilities and preparing the financial statements. The Board acknowledges the continued growth of the company over the past years and the need to rigorously review the adequacy of the accounting and internal controls and continues to implement the recommendations of the External and Internal Auditors.

Employment Development and Employment Equity

The company strives to promote a culture that provides all employees with opportunities to advance to their optimal levels of career development. The company upholds and supports the objectives of the Employment Equity Act and has an established Employment Equity Plan through its main operating subsidiaries. The company furthermore strives to provide a secure, healthy and participative social and working environment for its staff and associates. The Group upholds and supports the objectives of the Employment Equity Act No 55 of 1993. Vox Telecom has

FOR THE RECORD

implemented various initiatives that provide opportunities for all levels of staff, and in so doing continues to strengthen its positioning as an employer of choice, whilst at the same time enhancing its participation in making South Africa more internationally competitive. The Group's employment policies are designed to provide equal opportunities, without discrimination, to all employees.

In addition, the key operating subsidiaries of DataPro (Proprietary) Limited, Amvia (Proprietary) Limited and Orion Telecom (Proprietary) Limited have all achieved Black Economic Empowerment (BEE) ratings of Level 7, Level 3 and Level 5, respectively.

Communication with Shareholders

Vox Telecom is committed to ongoing and effective communication with its stakeholders. It subscribes to a policy of open and timeous communication in line with the requirements and guidelines of the JSE and the principles of good corporate governance and manages these through its in-house investor relations programme.

Insider Trading

The Company enforces a restricted period for dealing in its shares, in terms of which any dealings in shares by all directors and senior personnel is disallowed by the board from the time that the reporting period has elapsed to the time that results are released and at any time that such individuals are aware of un-published price sensitive information, whether the Company is trading under cautionary announcement as a result of such information or not.

Litigation and Legal

In the normal course of business, Vox Telecom is subjected to a minimum number of legal proceedings. These matters are subject to risks and uncertainties that cannot be reliably predictable. There are legal and arbitration proceedings which could have a material effect on the Group's financial position. The Board believes they have made sufficient provision for any potential successful claim against the Company.

Company Secretary

The Company Secretary is required to provide the members of the Board with guidance and advice regarding their responsibilities, duties and powers and to ensure that the Board is aware of all legislation relevant to or affecting the affairs of the Company. The Company Secretary is required to ensure that the Company complies with all applicable legislation regarding the affairs of the Company, including the necessary recording of meetings of the Board, Board Committees and shareholders of the Company and ensuring that proper procedures are followed in all board matters. The Directors have unfettered access to the Company Secretary. It requires a decision of the Board as a whole to remove the Company Secretary, should this become necessary.

Annual General Meeting

All directors are encouraged to attend the Annual General Meeting.

The notice for any general meeting of shareholders includes an explanation of the reason for, and the effects of any proposed special resolutions. The Company Secretary attends every general meeting of shareholders to assist with the recording of shareholders attendance and to tally the votes.

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

Vox Telecom is in the process of implementing an independent fraud and ethics line to enhance the ethical environment within the Group.

FOR THE RECORD

Sustainabilty Report

Engaging with our stakeholders

Introduction

Sustainability is at the heart of what we do. It's our obligation as a corporate citizen to ensure that Vox Telecom, our staff members and our business partners develop sustainable business models that create and protect value for our stakeholders.

At Vox Telecom, one of our major objectives is to create a culture within all of our subsidiaries where everyone is empowered to look at their business decisions through a sustainability lens and to do so in a way that ensures high levels of corporate governance, stakeholder communication and transparent reporting.

There are a wide range of factors that we continue to engage our stakeholders on, including the philosophy that underpins our operations, our investment strategies, our social responsibility initiatives and, in particular, the very dynamic face of the South African telecommunications sector. However, we are also cognisant of the importance of engaging with our stakeholders on the subject of non-financial performance and the strategies that may influence the economic, social and physical environments where we conduct our business, as well as our growth in the longer-term.

The year under review has seen many changes to the legislative framework that governs our operations, with the future far from certain. The major advantage for us as an alternative telco, however, is the fact that both corporate and consumer South Africa are eager for more choice and better value for money. Moreover, when we analyse the telecommunications industry both in South Africa and the rest of the word, and the trends that will shape it going forward, we have no doubt that sustainability is one of the greatest opportunities to make a difference for our business, our communities, our customers and our stakeholders.

Growing our community

We strive to achieve sustainable growth that reflects the interests of our stakeholders. Of equal importance, however, is the need to foster growth in the communities that interact with us. We give back to the communities in which we operate through employment opportunities and support of local businesses, as well as creating opportunities for entrepreneurs to succeed.

Industry contribution

Vox Telecom strives to reflect the guidance and wisdom of our diverse customer, employee, community and shareholder groups in our business decisions and policies on an ongoing basis. As the legislative and regulatory landscape continues to change, Vox Telecom promotes proactive participation with our stakeholders through public forums, industry conferences and the media by encouraging positive debate for the benefit of consumers and business customers.

We have continued to promote our view on choice within the sector and have also invested heavily in the development of a sustainable framework, in conjunction with our stakeholders, which will ensure that we remain on top in our operational sphere.

Vox Telecom promotes liberalisation and deregulation within the telecommunications industry and, while the future holds much in the way in regulatory changes, we look forward to a more competitive market that allows alternative telcos like Vox to offer more choice and lower costs to business and consumers.

Our people

Employee opportunity is a major priority for Vox Telecom. We strive to make sure that our employees – whether they've been with us for one year or more than 12 years – have the opportunity to acquire the tools and training they need to grow and succeed in their careers. And we continue to work to build a team of individuals that are globally competitive and highly skilled in their areas of expertise. Our staff complement now sits at 788 for the year under review.

Vox Telecom shapes its workplace culture by defining the shared values, competencies and personal attributes that each employee needs to succeed. Across the Group we uphold an ongoing commitment with respect to transparent communication, training and goal-orientated performance for our employees. We understand how important it is for our employees to share a common vision and, as such, ensure that we communicate with them regularly through a wide range of media.

Stakeholder engagement

One of Vox Telecom's primary responsibilities is to its investors and stakeholders, and the Board recognises its fiduciary duty to maximise shareholder value and that relevant, informative and transparent communication remains a core focus of the Group. Vox Telecom strives to proactively build strong relationships with our investment and stakeholder community and, thus, provides information which is timeous, accurate and transparent when engaging with this community. Members of the Executive Committee meet on a regular basis with investors and stakeholders in order to ensure group strategy, corporate affairs, performance and goals are communicated effectively. Interim and year-end results are communicated through SENS, results presentations, our Annual Report, investor roadshows and the Vox Telecom website (www.voxtelecom.co.za). In addition, the Group communicates with shareholders, employees, customers, regulators and the public through industry forums, public debates, surveys, social media websites such as YouTube, Facebook and Twitter as well as traditional media such as newspaper, radio and television. Our efforts are focused on providing reliable, accurate and relevant information that is viewed as a positive contribution to the broader industry at large and society in general. We continue to encourage our stakeholders to provide feedback on our communication, reporting, results and corporate responsibility activities.

Black Economic Empowerment (BEE) shareholding

Vox Telecom retains its status as South Africa's largest listed black-owned telecommunications company with a BEE shareholding of 42.3%. Our major investors in this regard include the Lereko Metier Capital Growth Fund and Mvelaphanda Group.

We continue to pursue an inclusive policy and philosophy towards empowerment and believe that the participation of increased black shareholding, the inclusion of BEE groups and implementing a comprehensive BEE programme is in line with the interests of employees and shareholders.

GOING GREEN…

One of our major objectives is to create a culture within all of our subsidiaries where everyone is empowered to look at their business decisions through a sustainability lens and to do so in a way that ensures high levels of corporate governance, stakeholder communication and transparent reporting.

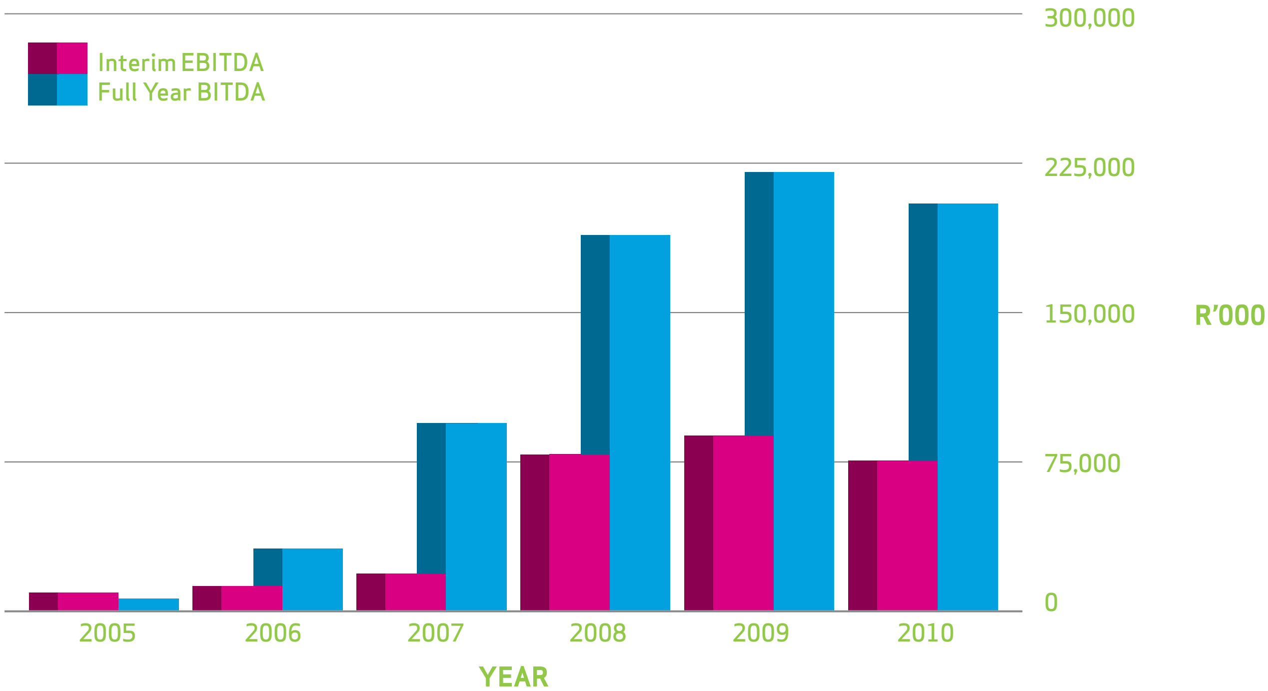
…AND STAYING GREEN

FOR THE RECORD

Financial overview

A summary of Vox Telecom's financial performance in 2010

Operating Profit before Depreciation, Amortisation and Interest



BUSINESS REVIEW FOR THE PERIOD

The year was characterised by the Group's strategic decision to reduce its dependence on SIMs in anticipation of converting customers onto Cristal Vox, strong organic growth from various subsidiaries, improving margins as well as the Regulator providing final clarity around Call Termination Rates.

Revenue declined by 1% to R2.07 billion and gross profit remained largely unchanged at R521 million. This was due to the reduction of dependence on SIMs in anticipation of converting customers onto Cristal Vox, as well as the result of a drop in the Call Termination Rates (CTR) to 89c in March 2010 (refer to the Revenue section below for more detail). Continued focus on cash flow generation has allowed the Group to invest a further R36 million into its network and other fixed assets as well as further reduce long term debt obligations by R84 million, which has reduced net finance charges to R9 million (2009: R32 million). Goodwill and other intangibles were impaired in the current year by R513 million and R329 million (before tax) respectively. These impairments are exceptional in nature and have been discussed in detail under the Exceptional items section. Profit before tax and exceptional items remained largely unchanged at R99 million, and headline earnings per share was up 4% to 6.45 cents per share.

The clarity Vox now has in the regulatory environment means the Group is able to focus on its vision of striving to be the leading independent, alternative provider of voice and data solutions to the Southern African market with its key goals and objectives remaining unchanged. We anticipated that interconnect rates would change and in this regard have been building and developing our own network. The launch of Cristal Vox in 2009 is a direct response to this change. Cristal Vox is the result of four years of experience in the voice market and has resulted in the launch of a Telco grade quality voice solution. Cristal Vox allows the Group to provide a complete voice solution to service all of our customers' needs for both inbound and outbound calls. The impact of this is reduced communication costs for our customers and improved margins for the Group.

Vox Orion is affected by changes in the CTR environment as the majority of its customers use cellular Least Cost Routing (LCR) products. This service has historically resulted in major savings when making outbound calls from Telkom to one of the mobile operator networks. In response to anticipated changes in CTR, a process was initiated in 2009 to convert Vox Orion customers from LCR services to Cristal Vox. This conversion process requires technical changes at customer sites and the signing of new contracts which will take time.

This process has also been delayed due to the late implementation of Local Number Portability (LNP). With LNP now available Vox has experienced an increased take-up of Cristal Vox by the Vox Orion corporate customer base. The change in the interconnect landscape now allows Vox Orion as well as other subsidiaries within the Vox Group to offer competitive outbound and inbound retail rates to their customers on all types of traffic, instead of merely focusing on capturing a customer's cellular traffic.

Vox Orion's strategic response to the changes in CTR has had a medium term negative impact on profitability of the Vox Orion business due to a reduction in Connection Incentive Bonuses (CIB) revenues in 2010 and continued margin pressure from LCR customers that have not yet converted to Cristal Vox. Over the longer term Vox Orion will benefit from margin improvements once their major voice customers have been converted to the Cristal Vox solution.

As at 31 October 2010 Vox Orion has 30 million monthly Cristal Vox minutes in backlog, which are due to be implemented and 63 million minutes in proposals outstanding.

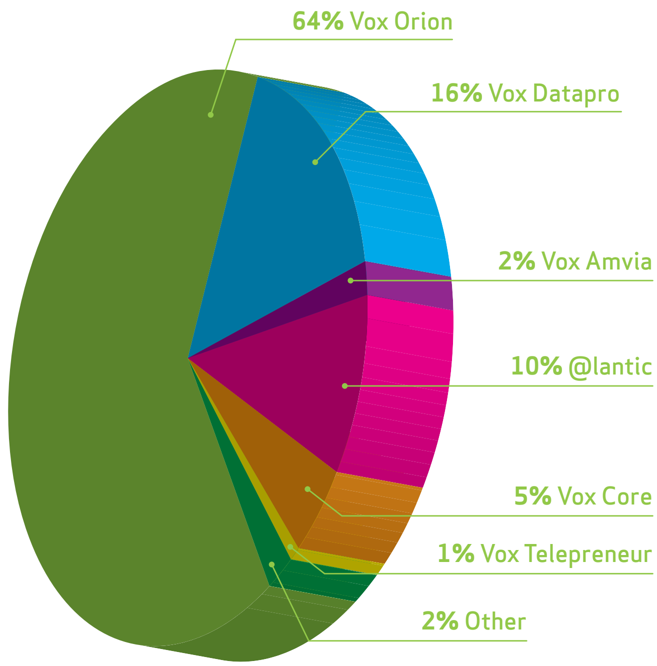
Revenue

Revenues declined marginally by 1% to R2.07 billion (2009: R2.08 billion).

Vox Orion's revenue declined by 9% to R1.2 billion (31 August 2009: R1.3 billion). This was mainly the result of the drop in CTR to 89c in March 2010, which also impacted the LCR retail rates. The drop in CIB revenue was as a result of the strategic decision of the Group taken in November 2009 to stop the renewal of LCR SIMs with the networks as these SIMs come out of contract, in anticipation of the proposed changes in CTR. The impact of this decision was that R8 million was generated through CIBs compared to R96 million in the comparable period. Vox Orion billed 34 million voice minutes terminated on the Vox network, which was converted from their historical LCR customer base.

Vox Datapro's revenue has grown by 4% over the comparative period through a combination of voice and data sales to R351 million (2009: R337 million). Average Revenue Per User (ARPU) decreased to R4,409 per month from R5,031 per month as at end of August 2009, derived from a base of 7 540 customers (2009: 7 876). Vox Datapro's revenue growth has been diluted in the current period due to the re-allocation of certain wholesale business to Vox Core (refer to footnote in the segmental analysis). The revenues from the successful launch of Fishbone Line Bonder and Eyeris continue to grow with current monthly annuity from Fishbone totalling more than R1.5 million. Vox Datapro has also responded positively to the recent price reductions in uncapped ADSL products and is currently competitive with its ADSL product offering.

Revenue Per Segment 2010



@lantic's revenue remained constant at R199 million and ARPUs across the base have grown to R157 per month (2009: R153 per month). The strategy remains to drive ARPUs across the entire @lantic base to approximately R300 per month. The number of customers declined to 123,306 (2009: 136,694).

Vox Amvia's revenue increased by 15% to R36 million (2009: R31 million), and annuity revenue now comprises 72% (2009: 70%) of total revenue. Product sales have remained flat on the prior year sales whilst annuity revenue has increased by 15% in comparison to the same period last year.

Vox Core's revenue has increased by 115% to R234 million (2009: R109 million) as a result of new wholesale business as well as the allocation of wholesale business from Vox Datapro which is explained above under "Vox Datapro's revenue section".

Vox Telepreneur revenue increased by 67% to R34 million (2009: R20 million). ARPUs have increased to R283 per month from R272 per month as at 31 August 2009.

FOR THE RECORD

Gross profit and gross profit margin

Group gross profit margins have remained constant at 25%.

Vox Orion's gross profit margins have decreased to 16% in the current year (2009: 18% gross profit margin). The drop in CIB revenue (refer to the Revenue section) was neutralised by improved margins in the existing LCR base, as a result of improved operational efficiencies and utilisation of contract minutes.

Vox Datapro achieved gross profit margins of approximately 36% (2009: 32%) and 30% (2009: 18%) in data and voice respectively.

@lantic's gross profit margins have decreased to 33% from 36% in the prior year. This is largely as a result of Telkom rebates which were discontinued in the current year resulting in a loss of R7 million in rebates.

Vox Amvia's gross margins have increased from 57% to 58% in the current year due to increased annuity sales at higher margins than the traditional product sales.

Vox Core's gross margins have increased from 14% in the prior year to 16% in the current year. This is as a result of improved efficiencies through economies of scale with new wholesale customers.

Vox Telepreneur's gross margins have decreased marginally from 16% to 15%. This is due to accelerated depreciation on ADSL phones from a life of 5 years to a new revised life of 3 years, as well as a subsidised price drop to its clients before the other networks dropped the interconnect charges in March 2010.

Operating expenses

Operating profit was 18% lower than the prior year at R108 million (2009: R132 million), with operating profit margins of 21% (2009: 25%).

Depreciation and amortisation increased 19% as a result of capital expenditure amounting to R47 million (2009: R65 million).

Employment costs increased 8% to R198 million (2009: R184 million) due to the slight increase in staff to 788 employees (2009: 781), as well as inflationary increases in salaries. Occupancy costs increased 6% to R23 million (2009: R21 million).

The recoverability of trade debtors has been impacted by the change in the economic climate resulting in a net R9 million increase in the allowance for doubtful debts. In the current year R4 million was written off in bad debts (2009: R12 million) which was provided for in full as at 31 August 2009. The Group maintained the bad debt policy to provide for all amounts greater than 90 days unless mitigated by specific circumstances.

This has increased the provision for bad debts to R32 million (2009: R23 million). The Group's continued focus on working capital has resulted in approximately 82% of trade receivables being aged less than 30 days, which has had a noticeable improvement in working capital management and cash flows. The Vox Telecom Limited 2009 Share Plan (the Plan) was adopted by shareholders at a general meeting held on 20 August 2009. In the current year this has resulted in a charge of R4.5 million in terms of IFRS 2 Share based payments. In the years ahead the following anticipated amounts in terms of IFRS2 will be charged to the income statement for the years ending 31 August:

2011 : R4.5 million
2012: R4.0 million
2013 : R2.2 million
2014 : R0.9 million

Net finance charges

The Group was able to repay R84 million in long term debt in the current year. Therefore the net financing costs decreased to R9 million (2009: R32 million).

Cashflow and capital expenditure

Cash generated from operations has improved by 35% from R185 million to R251 million at year end. Considerable effort has been placed on the optimisation of cash collection and the management of accounts receivable and working capital. This has been applied in meeting capital expenditure commitments

Cash generated from operations has improved by 35% from R185 million to R251 million at year end. Considerable effort has been placed on the optimisation of cash collection and the management of accounts receivable and working capital.

of R36 million of which approximately R28 million has been invested in network and similar IT equipment. Debt repayments of R84 million have also been made with total debt reducing to R118 million at year end (2009: R202 million). The debt to equity ratio was 24% at 31 August 2010. This has increased from 17% in 2009 largely as a result of the impairments of goodwill and customer bases, reducing retained earnings by R680 million.

Capital expenditure is expected to increase to facilitate the roll out of Cristal Vox. Expenditure incurred will mainly be driven by increased traffic on the Vox Core network.

Exceptional items

In terms of IFRS the Group is required to assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the assets.

With reference to the Future Prospects section of this document, ICASA has proposed significant changes to wholesale interconnection rates to be implemented via a glide path over a number of years.

As a result of these changes, the Group has performed a valuation of the LCR business and certain acquired @lantic customers which, independently of the change in interconnect rates, indicated a potential impairment.

These valuations, which were based on management's best estimate of future cash flows, have resulted in a R809 million impairment for Vox Orion which has been applied against goodwill (R480 million) and the acquired customer bases (R329 million). Similarly, @lantic's goodwill has been impaired by R33 million. These impairments are seen as exceptional items and have been added back for headline earnings.

Goodwill and other intangibles

As detailed above R513 million of goodwill has been impaired together with R329 million of the Vox Orion acquired customer base.

These impairments have resulted in a loss for the year of R680 million and similarly a basic loss per share of (61.32) cents. However, as these impairments are added back from a headline earnings perspective, the headline earnings have increased to R72 million with a 4% increase in headline earnings per share to 6.45 cents per share.

Profit before tax and exceptional items remained largely unchanged at R99 million, and headline earnings per share was up 4% to 6.45 cents per share.

GOING CONCERN

The Directors believe that the Group is well placed to manage its business risks successfully. The Directors have a reasonable expectation that the Group has adequate resources to continue to operate for the foreseeable future, despite the current uncertain economic and legislative environment. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

SUBSEQUENT EVENTS

The directors have assessed any events that have occurred between year-end and the date that the financial statements were authorised for issue and the only event material to the financial statements was the decision to terminate The Casey Share Incentive Scheme (the scheme).

The Casey Share Incentive Scheme fully vested in 2009 with a total IFRS 2 Share based payment impact of R9.6 million having been expensed over the three preceding years.

At year end the scheme consisted of 17,984,000 share options that were still outstanding but "underwater" as the strike price was 66 cents per option. The Board resolved to terminate the scheme; the impact of which is that the R9.6 million share-based payments reserve will be recycled into retained earnings in 2011.

FOR THE RECORD

Enterprise information

Company name	Vox Telecom Limited

LEGAL INFORMATION

Legal form	Limited Company
Incorporated in	South Africa
Incorporated on	20 August 1998
Registration number	1998/016433/06
Applicable legislation	South African Companies Act

OPERATIONAL INFORMATION

Principal activity	The Company's major activity is that of an investment company. The subsidiaries' key focus areas are providing voice and data services.
Principal place of operations	South Africa
Postal address	PO Box 369, Rivonia, 2128
Physical address	Block D, Rutherford Estate, 1 Scott Street, Waverley, Johannesburg
Registered address	Block D, Rutherford Estate, 1 Scott Street, Waverley, Johannesburg

PERSONNEL INFORMATION

Executive directors	AP van Marken (Chief Executive Officer) (Appointed 7 July 2006) DG Reed (Group Managing Director) (Appointed 27 September 2004) GJ Koen (Chief Financial Officer) (Appointed 1 April 2010)
Non-executive directors	VW Cuba (Chairman) (Appointed 5 August 2009) D Wallace (Chairman of Audit Committee) (Appointed 5 August 2009) R T Dalais (Appointed 13 February 2007) P Joubert (Appointed 27 October 2008) AD van Zyl (Alternate to RT Dalais) (Appointed 28 January 2010) P Joubert (Appointed 27 October 2008) E Röth (Appointed 31 October 2009)
Management	The enterprise was not managed by a third party or an enterprise in which any steward has an interest.

FINANCIAL STATEMENT INFORMATION

Financial statements approved	24 November 2010
Authorised for issue	24 November 2010

REPORTING DETAILS

Reporting date	31 August 2010
Reporting periods	Bi-annually
Current	1 September 2009 to 31 August 2010
Previous	1 September 2008 to 31 August 2009

CURRENCY DETAILS

Reporting currency	Rand
Measurement currency	Rand
Precision level	The financial statements are stated to the nearest R1,000.
Professional services	Grindrod Bank Limited (Designated Advisor); BDO Corporate Finance
Auditors	Deloitte & Touche
Legal advisors	Mahons
Website	www.voxtelecom.co.za Relevant financial and shareholder information can be found on our website where we publish our SENS announcements, financial results and other pertinent information.

2010 FINANCIALS

Directors' Responsibilities and Approval

for the year ended 31 August 2010

In terms of the Companies Act 61 of 1973, as amended, the directors are responsible for the preparation, integrity and fair presentation of annual financial statements for Vox Telecom Limited, which comprise the consolidated and separate financial statements as at 31 August 2010. The annual financial statements have been prepared using International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

To enable the directors to fulfill their responsibility, management sets standards and implements systems of internal control designed to provide certainty that assets are safeguarded, and that transactions are performed and recorded in accordance with the company's and Group's policies and procedures. These standards and controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

Particulars relating to the role and function of the audit committee are set out in the Corporate Governance report on page 72. Based on the information given by management, the directors are of the opinion that the internal accounting controls are adequate, and that the financial records may be relied upon for the preparation of the financial statements and maintaining accountability for assets and liabilities.

It is the opinion of the directors that the annual financial statements fairly present the results and financial position of the Group and of the Company as at 31 August 2010.

The directors are satisfied, based on forward projections and cash flow forecasts that the Group and the Company have adequate current financial resources to continue as a going concern in the ensuing year. Accordingly, the directors have adopted the going concern basis in preparing the annual financial statements.

The Company and Group annual financial statements, which appear on pages 88 to 174, were approved by the board of Directors on 24 November 2010 and signed on its behalf by Anthony van Marken and Gert Koen.

AP van Marken
CEO

Johannesburg
24 November 2010

GJ Koen
CFO

Johannesburg
24 November 2010

Company Secretary's Certificate

The Secretary certifies that the Company has lodged with the Registrar of Companies, all such returns as are required of a public company, in terms of section 268 G (d) of the Companies Act, No 61 of 1973, as amended, and that all such returns are true, correct and up to date to the extent that the Secretary has been informed.

GJ Koen
Company Secretary

Johannesburg
24 November 2010

Independent Auditor's Report

for the year ended 31 August 2010

TO THE MEMBERS OF VOX TELECOM LIMITED

We have audited the Group annual financial statement and annual financial statements of Vox Telecom Limited, which comprise the consolidated and separate statements of financial position as at 31 August 2010, the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes and the directors' report, as set out on pages 88 to 174.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Vox Telecom Limited as at 31 August 2010 and its consolidated and separate financial performance and consolidated and separate 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.

Deloitte & Touche

Deloitte & Touche
Registered Auditors

C G McNair
Partner
24 November 2010

Buildings 1 and 2, Deloitte Place
The Woodlands Office Park Woodlands Drive, Sandton
National Executive: GG Gelink (Chief Executive), AE Swiegers (Chief Operating Officer), GM Pinnock (Audit), DL Kennedy (Tax & Legal and Risk Advisory), L Geeringh (Consulting), L Bam (Corporate Finance), CR Beukman (Finance), TJ Brown (Clients & Markets), NT Mtoba (Chairman of the Board), MJ Comber (Deputy Chairman of the Board)
A full list of partners and directors is available on request.

Directors' Report

for the year ended 31 August 2010

The directors present their report for the year ended 31 August, 2010.

1. PRINCIPAL ACTIVITIES OF THE COMPANY

Vox Telecom Limited, headquartered in Johannesburg, is a leading alternative, independent telecom operator, providing voice and data services to the Southern African market. The Group employs more than 780 people and competes through its primary brands Vox Telecom, Vox Datapro, @lantic, Vox Orion, Vox Amvia and Vox Telepreneur and has offices in Johannesburg, Durban, Cape Town and Pretoria as well as in Windhoek, Namibia. Vox Telecom is a listed company trading on the Alternative Exchange (AltX), a division of the JSE Limited. Investor and shareholder information is available at www.voxtelecom.co.za.

Vox Telecom Limited is the holding company of 16 operating subsidiaries namely:

- @lantic Internet Services (Pty) Ltd
- Amvia (Pty) Ltd
- DataPro (Pty) Ltd
- Orion Telecom Investments Holdings (Pty) Ltd (OTIH)
- @lantic Exchange Computer Trading (Pty) Ltd t/a "@lantic Exchange"
- DataPro Faxing Solutions (Pty) Ltd t/a "ProFax"
- Voip Telecorporation (Pty) Ltd
- Orion Telecom (Pty) Ltd (Namibia)
- Dial Electronics (Pty) Ltd
- Vox Products (Pty) Ltd
- Casey Share Incentive Scheme (Trust)

And indirectly through:

- Orion Cellular (Pty) ltd
- Orion Data Solutions (Pty) Ltd
- Vox Orion (Pty) Ltd
- Orion Telecom Corporation (Pty) Ltd
- Storm Telecom (Pty) Ltd

The attributable interest of the holding company in the aggregate profits and losses after taxation of its subsidiaries are disclosed in note 29 to the annual financial statements.

2. HOLDING COMPANY

The Group does not have any one controlling shareholder.

3. STATEMENTS OF RESPONSIBILITY

The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. It is their responsibility to ensure that the annual financial statements fairly represent the state of affairs of the Company and Group as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards (IFRS). The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with IFRS 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 Company's system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable directors to meet these responsibilities, the Board sets a standard for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standard 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. 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 in 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, control systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The annual financial statements have been prepared on the going concern basis, since the directors have every reason to believe that the Company has adequate resources in place to continue in an operational existence for the foreseeable future. These statements have been audited by the independent auditors, Deloitte & Touche, who were given unrestricted access to all financial records and related data, including minutes of meetings of all shareholders, the board of directors and all committee meetings. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

4. AUDIT COMMITTEE REPORT

The Audit Committee met twice during the year and the external auditors presented formal reports to the Committee and attended meetings by invitation. In accordance with section 270A (1) (f) of the Companies Act, No. 61 of 1973, as amended, the Committee reports as follows:

- The scope, independence and objectivity of the external auditors were reviewed.
- The audit firm Deloitte & Touche, and audit partner Clinton G. McNair, are, in the Committee's opinion, independent of the Company, and have been proposed to the shareholders for approval to be the Group's auditor for the 2011 financial year.
- On an ongoing basis, the Committee reviews and approves the fees proposed by the external auditors.
- The appointment of the external auditor complies with the Companies Act, as amended, and with all other legislation relating to the appointment of external auditors.
- The nature and extent of non-audit services provided by the external auditors has been reviewed to ensure that the fees for such services do not become so significant as to call into question their independence.
- The nature and extent of future non-audit services have been defined and preapproved.
- As at the date of this report, no complaints have been received relating to accounting practices or to the content or auditing of the Company's financial statements, or to any related matter.
- The Audit Committee is constituted by independent non-executive directors of the Company. The internal auditor has direct access to this committee.
- The Audit Committee is also responsible for evaluating risk and the management thereof. This risk review is performed at the risk committee meetings.

In addition to the Audit Committee, the board has established an internal audit and risk committee comprising the non-executive Chairman, the Chairman of the audit committee and an internal auditor. Two internal audit and one risk committee meetings were held during the year. The internal auditor reports directly to this committee.

5. BUSINESS OVERVIEW

The key financial highlights of the past year were:

- Revenue down 1% to R2.07 billion
- Gross profit largely unchanged at R521 million
- Cash generated from operations up 35% to R251 million
- Cash on hand increased by 78% to R164 million
- Profit before tax and exceptional items largely unchanged at R99 million
- Headline earnings per share up 4% to 6.45 cents per share

The following is a summary of key aspects of operational performance:

- The decline in revenue was largely due to the Group's strategic decision to reduce its dependence on SIMs in anticipation of converting customers onto Cristal Vox, as well as the result of a drop in the Call Termination Rates (CTR) to 89c in March 2010;
- The staff complement has remained stable at 788 employees (31 August 2009: 781);
- Continued focus on cash flow generation that allowed the Group to invest a further R36 million into its network and other fixed assets as well as further reduce long term debt obligations by R84 million - which reduced net finance charges to R9 million (31 August 2009: R32 million); and
- Goodwill and other intangibles were impaired in the current year by R513 million and R329 million (before tax) respectively.

Directors' Report
for the year ended 31 August 2010

6. FUTURE PROSPECTS

On 29 October 2010 ICASA issued a Government Gazette Notice 33698, Volume 544 that defines and addresses the wholesale call termination market that exists within the borders of the Republic of South Africa.

ICASA have defined telecommunications services into two definitive categories, namely call termination services to a mobile location (mobile services) as well as call termination services to a fixed location (fixed line services).

Within these categories, ICASA identified participants that are dominant and have Significant Market Power (SMP). These participants have a share of total minutes terminated in the respective markets of greater than 25% as of June 2009. These identified participants are:

Mobile services:

Vodacom; and
Mobile Telephony Networks (MTN).

Fixed line services:

Telkom.

This means that licensees not listed may charge a maximum percentage above the cost-orientated rates (refer rates section below), according to the following table:

	Maximum Percentage Above Rate Set For Identified Licensees
Current	0%
From 1 March 2011	20%
From 1 March 2012	15%
From 1 March 2013	10%

The regulations require that any licensee offering mobile services, must charge the wholesale voice call termination rates to a mobile location as specified below:
Glide Path (March 2011 – March 2013)

	Peak Mobile Call Termination Rate	Off Peak Mobile Call Termination Rates
From 1 March 2011	R0.73	R0.65
From 1 March 2012	R0.56	R0.52
From 1 March 2013	R0.40	R0.40

The regulations also impose that any licensee offering fixed line services, must charge the wholesale voice call termination rates to a fixed location as specified below:

Glide Path (March 2011 – March 2013)

	Peak Fixed Line Call Termination Rate Within ON area code	Off Peak Fixed Line Call Termination Rates Within ON area code
From 1 March 2011	R0.20	R0.12
From 1 March 2012	R0.15	R0.12
From 1 March 2013	R0.12	R0.12

	Peak Fixed Line Call Termination Rate Between ON area code	Off Peak Fixed Line Call Termination Rates Between ON area code
From 1 March 2011	R0.28	R0.19
From 1 March 2012	R0.25	R0.19
From 1 March 2013	R0.19	R0.19

Please note that these tables are an extract of the Government Gazette Notice 33698, Volume 544 issued on 29 October 2010.

The clarity Vox now has in the regulatory environment means the Company is able to focus on its vision of striving to be the leading independent, alternative provider of voice and data solutions to the Southern African market with its key goals and objectives remaining unchanged. We anticipated that interconnect rates would change and in this regard have been building and developing our own network. The launch of Cristal Vox in 2009 is a direct response to this change. Cristal Vox is the result of four years of experience in the voice market and has resulted in the launch of a Telco grade quality voice solution. Cristal Vox allows the Group to provide a complete voice solution to service all of our customers' needs for both inbound and outbound calls. The impact of this is reduced communication costs for our customers and improved margins for the Group.

Vox Orion is affected by changes in the CTR environment as the majority of its customers use cellular Least Cost Routing (LCR) products. This service has historically resulted in major savings when making outbound calls from Telkom to one of the mobile operator networks. In response to anticipated changes in CTR, a process was initiated in 2009 to convert Vox Orion customers from LCR services to Cristal Vox. This conversion process requires technical changes at customer sites and the signing of new contracts which will take time.

This process has also been delayed due to the late implementation of Local Number Portability (LNP). With LNP now available Vox has experienced an increased take-up of Cristal Vox by the Vox Orion corporate customer base. The change in the interconnect landscape now allows Vox Orion as well as other subsidiaries within the Vox Group to offer competitive outbound and inbound retail rates to their customers on all types of traffic, instead of merely focusing on capturing a customer's cellular traffic.

Vox Orion's strategic reaction to the changes in CTR has had a medium term negative impact on profitability of the Vox Orion business as is evident with limited Connection Incentive Bonuses (CIB) revenues in 2010 and continued margin pressure from LCR customers that have not yet converted to Cristal Vox. Over the longer term Vox Orion will benefit from margin improvements once their major voice customers have been converted to the Cristal Vox solution.

As at 31 October 2010 Vox Orion has 30 million monthly Cristal Vox minutes in backlog, which are due to be implemented and 63 million minutes in proposals outstanding.

None of the market conditions and prospects information contained in this report have been reviewed or reported on by the Company's auditors.

7. FINANCIAL RESULTS

For the year ended 31 August, 2010 the Group made a loss of R680 million (2009: Profit of R61 million). Headline earnings of R72 million were achieved after adding back the adjustment of R751 million relating largely to the impairment of goodwill and intangible assets. This represents a loss per share of (61.32) cents and headline earnings per share of 6.45 cents (2009: 5.49 and 6.18 cents). Full details of the financial position and results of the Group are set out in these annual financial statements.

8. DIVIDENDS

In the view of a focus on the repayment of debt and further anticipated investment in network infrastructure and the new initiatives, the directors have decided not to declare a dividend for the period under review.

9. SHARE CAPITAL

The authorised and issued share capital of the Company at 31 August 2010 is set out in note 15 to the financial statements. As at 31 August 2010 there were 1,108,500,699 (2009: 1,108,500,699) ordinary shares issued. No shares were issued during the year.

10. INTEREST OF DIRECTORS AND OFFICERS

The register of interests of directors in contracts in terms of Section 234 of the Companies Act is available to members on request.

Directors' Report

for the year ended 31 August 2010

The interest (direct and indirect) of directors in the Company's ordinary securities as at 31 August 2010 were as follows:

Shareholders	Beneficially Held 31/08/2010		Non Beneficially Held 31/08/2010		Total Shares 31/08/2010	Percentage 31/08/2010
	Direct	Indirect	Direct	Indirect		
AP van Marken	–	11,660,377	–	–	11,660,377	1.05%
DG Reed	–	–	–	–	–	–
GJ Koen	–	–	–	–	–	–
RT Dalais*	–	–	–	–	–	–
D van Zyl*	–	–	–	–	–	–
P Joubert^	–	–	–	–	–	–
VW Cuba<	–	–	–	–	–	–
D Wallace<	–	–	–	–	–	–
E Röth#	–	–	–	–	–	–
Total	**–**	**11,660,377**	**–**	**–**	**11,660,377**	**–**

** RT Dalais and D van Zyl are the representative shareholders of the Lereko Metier Capital Growth Fund holding 275,396,137 shares*
 # E Röth is the representative shareholder of the Mvelaphanda Group Limited holding 137,500,000 shares
^ P Joubert is the representative shareholder of the Rand Merchant Bank Limited holding 259,819,700 ordinary shares
< Independent Non-Executive Director

Changes in directors' interests during the year

- Lereko Metier Capital Growth fund acquired 33,394 ordinary shares at a price of 29 cents per share on 30 December 2009, and 1,015,000 ordinary shares at an average of 29 cents per share on 31 December 2009.

In 2009 several of the directors were granted share appreciation rights, which have been disclosed in detail in note 28.

There has been no change in directors' shareholdings from 31 August 2010 to the date of this report.

11. LITIGATION

There are legal and arbitration proceedings which could have a material effect on the Group's financial position. The Board believes they have made sufficient provision for any potential successful claims against the Group.

The Company is aware of an investigation by the Financial Services Board (FSB) into the trading of the shares of the Company. This investigation was initiated by the FSB after the collape of Dealstream Securities in September 2008 and has not yet been resolved.

12. SHAREHOLDERS

The issued shares of the Company are widely held by the public, select public and private institutions and black empowerment entities. An analysis of shareholdings appears on page 175 of this report.

13. NUMBER OF EMPLOYEES

The group employs 788 employees.

14. GENERAL UPDATE

Update on Dealstream Events

The liquidators have confirmed the Group's claim. However, legal counsel for the Group has indicated that any liquidation dividend for proven claims is remote. There is no further exposure to the Group or the employees. The Group may continue to incur legal expenses as a result of interaction with the liquidator, which will be expensed in full as incurred.

Director changes

Dr NN Gwagwa resigned as an alternate Non-Executive Director of the Company on 28 January 2010. Dr Gwagwa was the alternate Non-Executive Director for current non-executive director, Mr Thierry Dalais. Mr Dalein van Zyl has been appointed as an alternate Non-Executive Director of the Group for Mr Thierry Dalais from the same date.

Mr CM Von Holdt , the Group's Chief Financial Officer, resigned with effect from 31 March 2010 and Mr GJ Koen has succeeded Mike with effect from 1 April 2010.

Special Resolutions

During the year the following special resolutions were passed and approved at a general meeting of shareholders held on 25 February 2010:

Special Resolution under a general authority to repurchase shares in order to fulfill the obligations of the Casey Share Incentive Scheme – The reason for this special resolution was to grant the Company a general authority in terms of the Companies Act for the acquisition by the Company or any of its subsidiaries of shares issued by the Company, which authority shall be valid until the earlier of the next annual general meeting of the company or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the Company, provided that the general authority shall not extend beyond 15 (fifteen) months from the date of the passing of this special resolution. The passing and registration of this special resolution had the effect of authorising the Company or any of its subsidiaries to acquire shares issued by the Company or its holding company in order to fulfill its obligations pertaining to the Casey Share Incentive Scheme.

15. DIRECTORS

The directors of the company during the accounting period and up to the date of this report are as follows:

Director	Date Appointed	Date Resigned
AP van Marken (CEO)	6 July 2006	
DG Reed (Group MD)	27 September 2004	
GJ Koen (CFO)	1 April 2010	
CM von Holdt (CFO)	19 November 2006	31 March 2010
GP Sweidan	27 September 2004	1 August 2009
JA du Toit	15 February 2007	1 August 2009
RT Dalais*	15 February 2007	
Dr N Gwagwa*-	15 February 2007	28 January 2010
D van Zyl-	28 January 2010	
T Matiwaza*	30 January 2008	31 October 2009
VW Cuba*< (Chairman)	1 August 2009	
P Joubert*	27 October 2008	
D Wallace*<	1 August 2009	
E Röth*	31 October 2009	

** Non-executive*
- Alternate
< Independent

16. SUBSEQUENT EVENTS

The directors have assessed any events that have occurred between year-end and the date that the financial statements were authorised for issue and the only event material to the financial statements was the decision to terminate the Casey Share Incentive Scheme (the scheme).

At year end the scheme consisted of 17,984,000 unexercised, but fully vested, share options at a strike price of 66 cents per option which were not capable of being exercised in terms of the scheme rules. The Board resolved to terminate the scheme; the impact of which is that the R9.6 million share-based payments reserve, expensed over the three preceding years will be recycled into retained earnings in 2011.

17. AUDITORS

Deloitte & Touche continued in office as auditors of Vox Telecom Limited and its subsidiaries. At the annual general meeting of 22 February 2011 shareholders will be requested to appoint Deloitte & Touche as auditors of Vox Telecom Limited for the 2011 financial year and it will be noted that Mr Clinton G. McNair will be the individual registered auditor that will undertake the audit.

18. SECRETARY

The company secretary is Gerhardus Johannes Koen who is assisted by Nexia Levitt Kirson Management Services CC, whose business and postal address:

Physical address: Block D, Rutherford Estate, 1 Scott Street, Waverley, 2090
Postal address: PO Box 369, Rivonia, 2128

Consolidated Statement of Comprehensive Income

for the year ended 31 August 2010

	Notes	2010 R'000	2009 R'000
Revenue	3	2,070,755	2,082,533
Cost of sales		(1,549,639)	(1,559,576)
Gross profit		521,116	522,957
Other income		1,113	7,636
Depreciation and amortisation		(78,330)	(69,460)
Employment costs		(198,092)	(184,227)
Occupancy costs		(22,530)	(21,245)
Other operating costs		(115,086)	(123,664)
Operating profit	4	108,191	131,997
Finance costs	5	(17,731)	(40,437)
Finance income	5	8,866	8,433
Net finance costs		(8,865)	(32,004)
Profit before taxation and exceptional items		99,326	99,993
Exceptional items	6	(842,547)	(11,585)
(Loss) profit before taxation		(743,221)	88,408
Taxation	7	63,534	(27,628)
(Loss) profit for the year		(679,687)	60,780
Other comprehensive income			
Exchange differences on translating a foreign operation		–	(408)
Reclassification adjustments relating to the deregistration of a foreign operation		1,376	–
Total comprehensive (loss) income for the year		(678,311)	60,372
(Loss) profit attributable to:			
Owners of the company		(679,687)	60,780
Total comprehensive (loss) income attributable to:			
Owners of the company		(678,311)	60,372
(Loss) earnings per share (cents):			
Basic EPS	8	(61.32)	5.49
Diluted EPS	8	(61.32)	5.49

Consolidated Statement of Financial Position

at 31 August 2010

	Notes	2010 R'000	2009 R'000
Assets			
Non-current assets		571,974	1,450,595
Plant and equipment	9	128,763	131,340
Goodwill	10	86,803	599,358
Other intangibles	11	345,398	701,174
Finance lease receivables	12	1,529	1,943
Deferred taxation	18	9,481	16,780
Current assets		418,085	401,580
Inventories	13	28,941	41,481
Trade and other receivables	14	217,890	265,253
Taxation		6,324	1,975
Finance lease receivables	12	766	755
Cash and bank balances		164,164	92,116
Total assets		990,059	1,852,175
Equity and liabilities			
Capital and reserves		491,564	1,165,352
Share capital	15	1,109	1,109
Share premium	15	1,018,876	1,018,876
Reserves	16	14,129	8,230
(Accumulated loss) retained earnings		(542,550)	137,137
Non-current liabilities		105,388	285,746
Non-current borrowings:			
– Interest-bearing	17	37,683	118,982
– Interest-free	17	2,275	758
Deferred taxation	18	65,430	166,006
Current liabilities		393,107	401,077
Trade and other payables	19	283,904	292,070
Provisions	20	26,279	14,173
Taxation		2,824	12,010
Short-term portion of non-current borrowings	17	80,100	82,824
Total equity and liabilities		990,059	1,852,175

Consolidated Statement of Changes in Equity

for the year ended 31 August 2010

	Share Capital R'000	Share Premium R'000	Foreign Currency Translation Reserve R'000	Share-Based Payment Reserve R'000	Retained Earnings (Accumu-lated Loss) R'000	Total Equity R'000
Balance as at 1 September 2008	1,101	1,002,384	(968)	6,396	76,357	1,085,270
Total comprehensive income for the year	–	–	(408)	–	60,780	60,372
Shares issued (net of costs)	8	16,492	–	–	–	16,500
Share-based payment expense	–	–	–	3,210	–	3,210
Balance as at 31 August 2009	1,109	1,018,876	(1,376)	9,606	137,137	1,165,352
Total comprehensive loss for the year	–	–	1,376	–	(679,687)	(678,311)
Share-based payment expense	–	–	–	4,523	–	4,523
Balance as at 31 August 2010	1,109	1,018,876	–	14,129	(542,550)	491,564

Consolidated Statement of Cash Flows

for the year ended 31 August 2010

	Notes	2010 R'000	2009 R'000
Cash flow from operating activities			
Operating cash before working capital movements	30.1	206,118	209,318
Working capital movements	30.2	44,676	(24,241)
Cash generated from operations		250,794	185,077
Interest paid		(8,865)	(32,004)
Taxation paid	30.3	(43,278)	(34,128)
Net cash inflow from operating activities		198,651	118,945
Cash flow from investing activities			
Additions to plant and equipment to expand operations	9	(35,603)	(62,430)
Additions to other intangibles to expand operations	11	(11,241)	(2,719)
Proceeds on disposal of property, plant and equipment		3,945	2,817
Proceeds from finance lease receivables		382	204
Additional vendor payments	30.4	(63)	(8,543)
Net cash outflow from investing activities		(42,580)	(70,671)
Cash flow from financing activities			
Repayment of long and short term borrowings		(84,023)	(44,435)
Net cash outflow from financing activities		(84,023)	(44,435)
Net increase in cash and cash equivalents		72,048	3,839
Cash and cash equivalents at the beginning of the year		92,116	88,277
Cash and cash equivalents at the end of the year	30.6	164,164	92,116

Accounting Policies

for the year ended 31 August 2010

1. BASIS OF ACCOUNTING

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards, and the Companies Act of South Africa. The consolidated annual financial statements have been prepared on the historical cost basis, except for financial instruments carried at fair value and incorporate the principal accounting policies set out below.

These policies have been consistently applied, except for *IFRS 3 Business Combinations, IFRS 8 Operating Segments, IAS 1 Presentation of Financial Statements, IAS 23 Borrowing Costs* and *IAS 27 Consolidated and Separate Financial Statements,* which were implemented during the year in accordance with the transitional provisions. The implementation of these standards required no prior year restatement except for the identification of additional reporting segments.

1.1 Basis of consolidation

The Group annual financial statements incorporate the annual financial statements of the Company and the entities it controls. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The operating results of the subsidiaries are consolidated from the date on which effective control is transferred to the Group and up to the effective date of disposal. All inter-company transactions and balances, income and expenses are eliminated in full on consolidation.

1.2 Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, including any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

1.3 Segmental information

The Group is organised into six businesses for operational and management purposes. Vox Telecom reports its primary business segment information on this basis and on a secondary basis by significant geographical region based on location of assets.

1.4 Investments in subsidiaries

Consolidated annual financial statements

The consolidated financial statements incorporate the assets, liabilities, income, expenses and cash flows of the company and its subsidiaries as if they are a single economic entity. The results of the subsidiaries are included from the effective date of acquisition. On acquisition the group recognises the subsidiary's identifiable assets, liabilities and contingent liabilities at fair value, except for assets classified as held-for-sale, which are recognised at fair value less costs to sell.

Company annual financial statements

In the Company's separate annual financial statements, investments in subsidiaries are carried at cost less any accumulated impairment. The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary. An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.5 Goodwill

Goodwill arising on consolidation of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary at the date of acquisition. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit or loss in the period of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is assessed at each balance sheet date for impairment. For the purpose 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 has been 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 assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Internally generated goodwill is not recognised as an asset.

1.6 Plant and equipment

Plant and equipment is shown at cost less accumulated depreciation and less any impairment losses. Cost include costs initially incurred to acquire or construct an item of plant and costs incurred subsequently to add to, replace part of, or service it. 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 of these assets, on the same basis commences when the assets are ready for their intended use.

Repairs and maintenance are expensed as and when incurred.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

	Average useful life
Fixtures and fittings, plant and equipment	3 to 10 years
IT equipment	3 to 10 years
Network equipment	3 to 5 years
Leasehold improvements	5 years
Motor vehicles	5 years
Leased IT equipment	3 to 5 years
Leased ADSL phones	3 to 5 years

Useful life and residual value is reviewed annually and the prospective depreciation is adjusted accordingly.

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

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

1.7 Internally-generated intangible assets – research and development expenditure

Internally-generated intangible assets which arise from research and development activities are amortised on a straight-line basis over their estimated useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

1.8 Intangible assets

Intangible assets are initially recognised at cost.

Intangible assets with definite lives are assessed for impairment when there are indications that they may be impaired.

Amortisation is provided on a straight-line basis over their useful life. The amortisation period and the amortisation method for intangible assets are reviewed every year-end. Internally generated brands, customer lists and items similar in substance are not recognised as intangible assets.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Accounting Policies

for the year ended 31 August 2010

1. BASIS OF ACCOUNTING (continued)

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

	Average useful life
Trademarks	18 years
Computer software	2 to 10 years
Customer base and contracts	25 years

The attrition rate for the year ahead has been assessed and the rate applied to the acquired ABSA customer base, the remaining @lantic customer base and least cost routing (LCR) Vox Orion customer bases, have been reassessed as 5 years, 10 years and 18 years respectively.

1.9 Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

1.10 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for the provision of internet service connectivity, managed voice services, voice over inter protocol (VoIP), faxing and PABX solutions, hardware sales and any allied or related services, in the normal course of business and is recognised net of indirect taxes, rebates and trade discounts.

Service fees included in the price of the product are recognized as revenue over the period during which the service is performed.

Connection incentive bonuses (CIBs) on the activation of 24 or 36 month voice contracts are recognized in full at inception of each new contract. A provision is raised for estimated inactive contracts or potential returns. CIBs are recognized in full on receipt due to a history of insignificant refunds.

Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate applicable.

Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

1.11 Cost of sales

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

When inventories are sold, the carrying amount of those inventories is recognized as a cost of sale in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognized as an expense in the period the write down or loss occurs.

1.12 Leases

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

Assets held under finance leases are capitalised 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, net of finance charges, is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged 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 (see below).

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

1.13 Foreign currencies

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the Rand and the foreign currency at the date of the transaction.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the spot exchange rate at the date of the cash flow.

1.14 Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

Payments to defined contribution plans are charged as an expense as they fall due. There are no defined retirement benefit plans in the Group.

1.15 Taxation

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

The tax charge payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences arising from 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. In general, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which 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 (other than in a business combination) of other assets and liabilities, which affects neither the tax profit nor the accounting profit at the time of the transaction.

Deferred taxation liabilities are recognised for taxable temporary differences arising on investments in subsidiaries 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.

The carrying amount of deferred taxation assets is reviewed at each balance sheet 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.

Accounting Policies

for the year ended 31 August 2010

1. BASIS OF ACCOUNTING (continued)

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

1.16 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is calculated on the weighted-average method.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

The costs of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

1.17 Financial instruments

Initial recognition and measurement

Financial instruments are recognised initially when the Group becomes a party to the contractual provisions of the instruments.

Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

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.

Loans and receivables

Trade receivables, loans and other receivables are measured initially at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value. For purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

Financial liabilities and equity

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisations. Financial liabilities include finance lease obligations, interest-bearing bank loans and overdrafts and trade and other payables.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs as set out below.

Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments are recorded at the proceeds received, net of direct issue costs.

1.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the managements' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

1.19 Share based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

1.20 Borrowing costs

All borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.21 Exceptional items

Exceptional items are those items of financial performance that are material and non-recurring in nature that the Group believes should be disclosed separately within the financial statements to assist in the understanding of the financial performance of the Group.

Notes to the Consolidated Annual Financial Statements

for the year ended 31 August 2010

2. TECHNICAL REVIEW

This table provides a brief analysis of the differences between the old and new standards that changed the Group's 2010 financial year and the relating impact on the business:

Standard	Standard's name	Material differences between the old and new standard	Impact
IFRS 3	Business combinations	– Transaction costs must be expensed. Previously we capitalised these costs. – Share options given to a seller must be included in the purchase consideration. These costs were previously excluded from the purchase consideration. – Any contingent consideration must be valued at acquisition date. Where there is a subsequent change, the difference must be recognised in profit and loss. Previously we adjusted goodwill. – Goodwill can be provided for minorities. As all subsidiaries are wholly owned this is not applicable. – In step acquisitions, previous non-controlling equity interests held are deemed to be disposed at fair value, which is then included in the purchase price to determine goodwill. Previously the existing investment was not deemed to be disposed of and only the additional acquisition was accounted for in determining goodwill.	These changes will all have a financial impact on future acquisitions. There is no retrospective application, so no adjustment was required to the financial statements.
IFRS 8	Operating segments	– Segment identification and information is determined and presented 'through the eyes of management'. Previously this was not how we determined our segments or segment information. – Segment information needs to reconcile to IFRS.	This has resulted in two new additional segments been disclosed in the current financial year, namely Vox Core (a division of Vox Telecom Limited) and Vox Telepreneur (a division of Vox Telecom Limited). Previously these were all disclosed as part of "Corporate and other" operating segment. The comparatives have been updated accordingly.
IAS 1	Presentation of financial statements	This standard brought many changes – all disclosure related. – It introduced the concept of 'total comprehensive income' – which briefly is the change in equity other than changes resulting from transactions with owners in their capacity as owners. – Total comprehensive income is housed in two statements; the 'income statement' and the 'statement of comprehensive income'. – 'Statement of comprehensive income' could be one statement, or an income statement and a separate statement of items recognised in other comprehensive income. We elected to disclose the data in one statement. – The balance sheet has been renamed 'statement of financial position'. – The cash flow statement has been renamed 'statement of cash flows'.	These changes had no financial impact on the business.
IAS 23	Borrowing costs	– All borrowing costs need to be capitalised where they are qualifying assets. Previously our accounting policy was to expense these costs.	This change will have a financial impact on future qualifying assets where borrowing costs are incurred. There is no retrospective application, so no adjustment was required to the financial statements.
IAS 27	Consolidated and separate financial statements	– There is no restriction on allocating losses of a subsidiary to the minorities.	As all of the subsidiaries in the Group are wholly owned subsidiaries this change will have no financial impact.

** There were various other smaller amendments made to the standards which are not material and thus not listed.*

Interpretations of Statements of Generally Accepted Accounting Practice

The following IFRICs were issued or re-issued since the start of the financial year, or earlier but became effective for the current financial year. There is no impact on the Group from any of these IFRICs, and they have only been included for completeness.

IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IFRIC 2	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 4	Determining whether an Arrangement contains a Lease
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC 9	Re-assessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes
IFRIC 14	IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of Net Investment in a Foreign Operation
IFRIC 17	Distributions of Non-cash Assets to Owners
IFRIC 18	Transfer of Assets from Customers
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

Circulars

The following circulars were issued since the start of the 2010 financial year.

Circular	Name	Date issued	Impact on the group
Circular 2/2009	Statement of Generally Accepted Accounting Practice; International Financial Reporting Standard for Small and Medium-sized Entities	September 2009	This circular has no impact on the Group.
Circular 3/2009	Headline Earnings	September 2009	Circular 3/2009 Headline Earnings is only different to Circular 8/2007 Headline Earnings in that the terms of reference to the financial statements have been amended to reflect the changes made to IAS 1 Presentation of Financial Statements.

New or revised IFRS standards have been issued with effective dates applicable to future annual financial statements of the Group. Below is a brief description of the changes together with the financial period that they become applicable:

IFRS 1 – First time adoption of International Financial Reporting Standards

The amendments to this IFRS will include limited exemptions from comparative IFRS 7 disclosures, the amendments relating to oil and gas assets and determining whether an arrangement contains a lease, the accounting policy changes in the year of adoption, the revaluation basis as deemed cost, the use of deemed cost for operations subject to rate regulation.

The amendments should have no significant impact on the Group's results, and first become applicable for the financial year ending 31 August 2011.

IFRS 2 – Share-based payments

The amendment to this IFRS clarifies the treatment of Group cash-settled share-based payment transactions.

The amendment should have no significant impact on the Group's results, and first becomes applicable for the financial year ending 31 August 2011.

Notes to the Consolidated Annual Financial Statements

for the year ended 31 August 2010

2. TECHNICAL REVIEW (continued)

IFRS 3 – Business combinations

There are consequential amendments to this IFRS, resulting from the annual improvement project and IFRS 9 – Financial instruments. These include transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS, measurement of non-controlling interests, un-replaced and voluntarily replaced share-based payment awards.

The amendment should have no significant impact on the Group's results, and first becomes applicable for the financial year ending 31 August 2011 and the amendments resulting from IFRS 9 – Financial instruments are applicable for the financial year ending 31 August 2014.

IFRS 4 – Insurance contracts

There are consequential amendments to this IFRS, resulting from the annual improvement project and IFRS 9 – Financial instruments.

The amendment should have no significant impact on the Group's results, and first becomes applicable for the financial year ending 31 August 2011 and the amendments resulting from IFRS 9 – Financial instruments are applicable for the financial year ending 31 August 2014.

IFRS 5 – Non-current assets held for sale and discontinued operations

This amendment clarifies that the disclosure requirements of other IFRS do not apply to non-current assets held for sale or discontinued operations unless a) those IFRS specifically require disclosures in respect non-current assets held for sale or discontinued operations or b) the disclosures relate to measurement of assets or liabilities within a disposal group that are out of the scope of IFRS 5s measurement requirements.

The amendment should have no significant impact on the Group's results, and first becomes applicable for the financial year ending 31 August 2011.

IFRS 7 – Financial instruments: Disclosures

Qualitative disclosures are encouraged to help users to form an overall picture of the nature and extent of risks arising from financial instruments. The required level of disclosure around credit risk and collateral held is also clarified.

The amendment should have no significant impact on the Group's results, and first becomes applicable for the financial year ending 31 August 2012 and the amendments resulting from IFRS 9 – Financial instruments are applicable for the financial year ending 31 August 2014.

IFRS 8 – Operating segments

The amendment to the standard clarifies that an entity is required to disclose a measure of segment assets only if that measure is regularly included in the information used by the chief operating decision maker.

The amendment should have no significant impact on the Group's results, and first becomes applicable for the financial year ending 31 August 2011.

IFRS 9 – Financial instruments

IFRS 9 is a new statement with the objective of reducing the number of classification categories of financial instruments and aligning the measurement of financial instruments with how entities manage financial instruments.

The Group is currently assessing the impact of the standard on its results, financial position and cash flows. The standard first becomes applicable for the financial year ending 31 August 2014.

IAS 1 – Presentation of financial statements

The amendment provides clarity that potential settlement of a liability by the issue of equity (when the counterparty can require settling in share at any time) is not relevant to its classification as current or non-current.

The amendment clarifies that the analysis of other comprehensive income by item may be presented either in the statement of changes in equity or in the notes to the financial statements.

The amendment should have no significant impact on the group's results, and first becomes applicable for the financial years ending 31 August 2011 and the amendments resulting from IFRS 9 – Financial instruments are applicable for the financial year ending 31 August 2014.

IAS 2 – Inventories

There are consequential amendments to this statement resulting from the annual improvement project and IFRS 9 – Financial instruments.

The amendment should have no significant impact on the Group's results, and first becomes applicable for the financial year ending 31 August 2011 and the amendments resulting from IFRS 9 – Financial instruments are applicable for the financial year ending 31 August 2014.

IAS 7 – Statement of cash flows

The amendment clarifies that only expenditures that result in a recognised asset can be classified as an investing activity in the cash flow statement. For example, acquisition costs in business combinations have to be presented as operating activities in the consolidated cash flow statement since such cost do not qualify for capitalisation in accordance with IFRS 3 Business Combinations.

The amendments should have no significant impact on the Group's results, and first become applicable for the financial year ending 31 August 2011.

IAS 8 – Accounting policies, changes in accounting policies and errors

There are consequential amendments to this statement resulting from IFRS 9 – Financial instruments.

The amendment should have no significant impact on the Group's results, and first becomes applicable when the Group applies IFRS 9 – Financial instruments from the financial year ending 31 August 2014.

IAS 12 – Income taxes

There are consequential amendments to this statement resulting from IFRS 9 – Financial instruments.

The amendment should have no significant impact on the Group's results, and first becomes applicable when the Group applies IFRS 9 – Financial instruments from the financial year ending 31 August 2014.

IAS 17 – Leases

Prior to amendment, IAS 17 Leases generally required a lease of land to be classified as an operating lease. Following the amendment, leases of land are classified as either "finance" or "operating" using the general principles of IAS 17.

The amendment should have no significant impact on the Group's results, and first becomes applicable for the financial year ending 31 August 2011.

IAS 18 – Revenue

There are consequential amendments to the appendix to this statement, resulting from the annual improvement project clarifying the determination whether an entity is acting as principal or agent, and IFRS 9 – Financial instruments.

The amendments should have no significant impact on the Group's results, and first become applicable for the financial year ending 31 August 2011 and the amendments resulting from IFRS 9 – Financial instruments are applicable for the financial year ending 31 August 2014.

IAS 21 – The effects of change in foreign exchange rates

There are consequential amendments to this statement, resulting from IFRS 9 – Financial instruments.

The amendment should have no significant impact on the Group's results, and first becomes applicable when the Group applies IFRS 9 – Financial instruments from the financial year ending 31 August 2014.

IAS 24 – Related parties

There were amendments to simplify the definitions, clarify intended meaning and eliminate inconsistencies.

The amendment should have no significant impact on the Group's results, and first becomes applicable for the financial year ending 31 August 2012 and must be applied retrospectively.

IAS 27 – Consolidated and separate financial statements

The amendment clarifies that the changes made to IAS 21 The Effects of Changes in Foreign Rates, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures as a result of IAS 27(2008) should be applied prospectively.

The amendment should have no significant impact on the Group's results, and first becomes applicable for the financial year ending 31 August 2011 and the amendments resulting from IFRS 9 – Financial instruments are applicable for the financial year ending 31 August 2014.

IAS 28 – Investments in associates

There are consequential amendments to this statement, resulting from IFRS 9 – Financial instruments.

The amendment should have no significant impact on the Group's results, and first becomes applicable when the Group applies IFRS 9 – Financial instruments from the financial year ending 31 August 2014.

Notes to the Consolidated Annual Financial Statements

for the year ended 31 August 2010

2. TECHNICAL REVIEW (continued)

IAS 31 – Investments in joint ventures

There are consequential amendments to this statement, resulting from IFRS 9 – Financial instruments.

The amendment should have no significant impact on the Group's results, and first becomes applicable when the Group applies IFRS 9 – Financial instruments from the financial year ending 31 August 2014.

IAS 32 – Financial instruments presentation

Prior to the amendment rights issues offered for a fixed amount of foreign currency were required to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to an entity's all existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated.

The amendment should have no significant impact on the Group's results, and first becomes applicable for the financial year ending 31 August 2011 and the amendments resulting from IFRS 9 – Financial instruments are applicable for the financial year ending 31 August 2014.

IAS 34 – Interim financial reporting

The disclosure about significant events and transactions in interim periods should update the relevant information presented in the most recent annual financial report.

The amendments first become applicable to the Group for the financial year ending 31 August 2011, and are not expected to have any significant impact on the group.

IAS 36 – Impairment of assets

IAS 36 Impairment of assets was amended in order to provide further guidance on the allocation of goodwill to cash generating units. When allocating goodwill, the unit or group of units to which the goodwill is allocated should represent the lowest level within the entity at which goodwill is monitored for internal management purposes and should not be larger than an operating segment as defined in IFRS 8 Operating Segments.

The amendment should have no significant impact on the Group's results, and first becomes applicable for the financial year ending 31 August 2011 and the amendments resulting from IFRS 9 – Financial instruments are applicable for the financial year ending 31 August 2014.

IAS 39 – Financial instruments: Recognition and measurement

There are consequential amendments to this statement, resulting from the annual improvement project clarifying exposures qualifying for hedge accounting and IFRS 9 – Financial instruments.

The amendment should have no significant impact on the Group's results, and first becomes applicable for the financial year ending 31 August 2011 and the amendments resulting from IFRS 9 – Financial instruments are applicable for the financial year ending 31 August 2014.

The consequential amendments to following IFRICs, which are not yet effective, are not expected to have a significant impact on the Group's results in future financial periods:

IFRIC 10	Interim financial reporting and impairment
IFRIC 12	Service concession arrangements
IFRIC 13	Customer loyalty programmes
IFRIC 14	The limit on a defined benefit asset, minimum funding requirements and their interaction
IFRIC 19	Extinguishing financial liabilities with equity instruments

Exposure drafts

The IASB recently issued an exposure draft containing various proposals to improve the financial reporting of lease contracts. The accounting treatment under existing requirements depends on the classification of a lease. Classification as an operating lease results in the lessee not recording any assets or liabilities in the statement of financial position under IFRS. This results in many investors having to adjust the financial statements (using disclosures and other available information) to estimate the effects of lessees' operating leases for the purpose of investment analysis. The proposals would result in a consistent approach to lease accounting for both lessees and lessors – a 'right-of-use' approach. Among other changes, this approach would result in the liability for payments arising under the lease contract and the right to use the underlying asset being included in the lessee's statement of financial position, thus providing more complete and useful information to investors and other users of financial statements. As part of the transition, we would remove the 'lease liability' that currently sits in the statement of financial position resulting from Circular 07/2005 Operating Leases that required us to smooth operating leases. We anticipate the exposure draft becoming a standard in approximately three years. We are currently unable to estimate accurately the financial impact on the Group, although it will be material, as the change proposed has raised some concerns in the financial community. Once these issues have been clarified, we will indicate the financial impact on the Group's results.

3. REVENUE

	2010 R'000	2009 R'000
Sales of services	1,986,929	1,962,201
Sales of hardware	41,037	92,498
System rentals	42,789	27,834
	2,070,755	2,082,533

4. OPERATING PROFIT

	2010 R'000	2009 R'000
Operating profit for the year has been arrived at after charging (crediting):		
Depreciation and amortisation (owned assets):		
Fixtures, fittings, plant and equipment	3,057	2,592
Computer hardware	11,107	10,226
Network equipment	22,282	14,751
Leasehold improvements	1,692	1,657
Motor vehicles	1,752	2,180
Computer software - Purchased	4,756	1,882
Computer software - Developed	1,570	634
Customer bases and contracts	30,211	30,142
Trademarks	1,903	1,903
Depreciation and amortisation (leased assets):		
Computer equipment	–	3,494
Impairment of assets	956	–
Foreign exchange profit	(58)	(454)
Share-based payment expense	4,523	3,210
Operating lease charges:		
Land and buildings	22,529	21,245
Equipment	639	933
Loss on sale of plant and equipment and other intangibles	159	869
Legal expenses	2,319	4,740
Employment costs:		
Staff cost (excluding directors' emoluments)	188,429	171,604
Executive directors:		
– Salaries	6,186	7,932
– Bonuses	2,880	4,410
– Other benefits	197	270
Non-executive directors:		
– Fees	400	12
Research and development cost	1,038	1,173
Consulting fees	3,570	957
Auditors' remuneration:		
– Current year fee	3,390	2,778
– Prior year under (over) provision	375	(36)
– Other services	448	144
Retirement benefit contribution		
Defined contribution funds	9,205	9,121
Inventory write down	3,071	–

Notes to the Consolidated Annual Financial Statements

for the year ended 31 August 2010

5. NET FINANCE COSTS

	2010 R'000	2009 R'000
Finance costs		
Interest on bank overdrafts and loans	14,258	32,069
Interest on obligations under finance leases	3,473	8,368
	17,731	40,437
Finance income		
Income from bank balances	8,866	8,433
	8,866	8,433

Further detail on the loans is disclosed in note 17.

6. EXCEPTIONAL ITEMS

	2010 R'000	2009 R'000
Plant and equipment impaired due to technology migration	–	9,748
Inventory impaired due to technology migration	–	1,837
Reclassification of FCTR on deregistration of foreign operation	1,376	–
Impairment of customer bases	328,553	–
Impairment of goodwill	512,618	–
Total	842,547	11,585
Taxation	(91,995)	(3,244)
Net comprehensive income effect	750,552	8,341

Refer to note 10 and note 11 for further detail on the impairment of customer bases and goodwill.

7. TAXATION

	2010 R'000	2009 R'000
Current year		
South African normal taxation		
Current taxation	29,794	31,310
Deferred taxation	(93,258)	(8,859)
	(63,464)	22,451
Prior year under (over) provision:		
South African normal taxation		
Current taxation	(51)	(813)
Deferred taxation	(19)	5,990
	(70)	5,177
	(63,534)	27,628

	%	%
The rate of taxation is reconciled as follows:		
Standard corporate taxation rate	28.0	28.0
Disallowable expenditure	(19.3)	4.0
Tax losses not previously recognised as deferred tax assets	(0.1)	(6.0)
Prior year adjustments	–	6.0
Other	(0.1)	(1.0)
Effective rate	8.5	31.0
Tax losses on which no deferred taxation assets have been raised due to uncertainty regarding utilisation	3,262	15,207

Notes to the Consolidated Annual Financial Statements

for the year ended 31 August 2010

8. (LOSS) EARNINGS PER SHARE

Attributable and headline (loss) earnings per share

The calculation of attributable and headline (loss) earnings per share is based on a weighted average of 1 108 500 699 (2009: 1 107 243 806) ordinary shares.

	2010 R'000	2009 R'000	2010 Cents/share	2009 Cents/share
The calculation is reconciled as follows:				
(Loss) profit attributable to the owners of the company	(679,687)	60,780	(61.32)	5.49
Adjustments:				
– Loss on disposal of movable assets	159	869	0.01	0.08
– Impairment of assets	956	9,749	0.09	0.88
– Impairment of intangibles	328,553	–	29.64	–
– Impairment of goodwill	512,618	–	46.24	–
– Reclassification of FCTR	1,376	–	0.12	–
Tax effect	(92,307)	(2,973)	(8.33)	(0.27)
Headline earnings	71,668	68,425	6.45	6.18

Diluted attributable and diluted headline earnings per share

The calculation of diluted attributable and diluted headline earnings per share is based on a weighted average of 1,108,500,699 (2009: 1,107,243,806) ordinary shares.

	2010 R'000	2009 R'000	2010 R'000	2009 R'000
The calculation is reconciled as follows:				
(Loss) profit attributable to the owners of the Company	(679,687)	60,780	(61.32)	5.49
Adjustment for outstanding options or share appreciation rights	–	–	–	–
Diluted attributable (loss) earnings	(679,687)	60,780	(61.32)	5.49
Headline earnings	71,668	68,425	6.45	6.18
Adjustment for outstanding options or share appreciation rights	–	–	–	–
Diluted headline earnings	71,668	68,425	6.45	6.18

	2010 No of shares	2009 No of shares
Weighted average shares outstanding		
Weighted average shares outstanding for basic and headline earnings per share	1,108,500,699	1,107,243,806
Dilutive ordinary shares resulting from outstanding ordinary share options or share appreciation rights	–	–
Weighted average shares outstanding for basic and diluted headline earnings per share	1,108,500,699	1,107,243,806

9. PLANT AND EQUIPMENT

	Carrying value R'000	Accumulated depreciation R'000	Net book value R'000
2010			
Owned assets			
Fixtures, fittings, plant and equipment	18,180	(8,416)	9,764
Computer hardware	54,872	(28,652)	26,220
Network equipment	103,134	(38,142)	64,992
Leasehold improvements	9,904	(3,804)	6,100
Motor vehicles	7,852	(3,534)	4,318
	193,942	(82,548)	111,394
Capitalised leased assets			
Computer hardware	7,775	(7,775)	–
ADSL phones	29,075	(11,849)	17,226
Motor vehicles	465	(322)	143
	37,315	(19,946)	17,369
Total	231,257	(102,494)	128,763
2009			
Owned assets			
Fixtures, fittings, plant and equipment	15,983	(5,506)	10,477
Computer hardware	46,321	(16,487)	29,834
Network equipment	85,905	(23,572)	62,333
Leasehold improvements	7,448	(2,113)	5,335
Motor vehicles	8,701	(3,326)	5,375
	164,358	(51,004)	113,354
Capitalised leased assets			
Computer hardware	7,775	(7,775)	–
ADSL phones	22,202	(4,216)	17,986
	29,977	(11,991)	17,986
Total	194,335	(62,995)	131,340

Notes to the Consolidated Annual Financial Statements

for the year ended 31 August 2010

9. PLANT AND EQUIPMENT (continued)

	Opening net book value R'000	Additions R'000	Disposals R'000
Reconciliation of plant and equipment			
2010			
Owned assets			
Fixtures, fittings, plant and equipment	10,477	2,580	(236)
Computer hardware	29,834	10,917	(1,420)
Network equipment	62,333	17,509	(1,122)
Leasehold improvements	5,335	2,457	–
Motor vehicles	5,375	2,140	(1,302)
	113,354	35,603	(4,080)
Capitalised leased assets			
ADSL phones	17,986	–	–
Motor vehicles	–	–	–
	17,986	–	–
Total	131,340	35,603	(4,080)
2009			
Owned assets			
Fixtures, fittings, plant and equipment	17,025	4,266	(547)
Computer hardware	27,609	20,235	(1,199)
Network equipment	45,509	32,940	–
Leasehold improvements	4,550	2,689	(247)
Motor vehicles	6,336	2,300	(1,081)
	101,029	62,430	(3,074)
Capitalised leased assets			
Computer hardware	3,494	–	–
ADSL phones	–	–	–
	3,494	–	–
Total	104,523	62,430	(3,074)

- The Group has reviewed residual values and useful lives of the assets for reasonability, and no adjustments were required.
- There is no investment property in the Group and all assets are held at historical cost.
- The owned assets and capitalised leased assets are encumbered as detailed in note 17.
- Included in Cost of Sales was R7.6 million (2009: R3.9 million) depreciation relating to ADSL phones and R1.7m depreciation relating to computer hardware.

Reclassifications R'000	Transfers R'000	Transfers from inventory R'000	Transfers to inventory R'000	Depreciation R'000	Impairment R'000	Closing net book value R'000
–	–	–	–	(3,057)	–	9,764
–	–	–	–	(12,824)	(287)	26,220
–	–	11,194	(2,640)	(22,282)	–	64,992
–	–	–	–	(1,692)	–	6,100
–	(143)	–	–	(1,752)	–	4,318
–	(143)	11,194	(2,640)	(41,607)	(287)	111,394
–	–	13,197	(5,655)	(7,633)	(669)	17,226
–	143	–	–	–	–	143
–	143	13,197	(5,655)	(7,633)	(669)	17,369
–	–	24,391	(8,295)	(49,240)	(956)	128,763
(7,075)	–	–	–	(2,592)	(600)	10,477
(4,616)	–	–	(1,969)	(10,226)	–	29,834
4,616	–	5,399	(2,370)	(14,751)	(9,010)	62,333
–	–	–	–	(1,657)	–	5,335
–	–	–	–	(2,180)	–	5,375
(7,075)	–	5,399	(4,339)	(31,406)	(9,610)	113,354
–	–	–	–	(3,494)	–	–
7,075	–	18,780	(3,932)	(3,937)	–	17,986
7,075	–	18,780	(3,932)	(7,431)	–	17,986
–	–	24,179	(8,271)	(38,837)	(9,610)	131,340

Notes to the Consolidated Annual Financial Statements

for the year ended 31 August 2010

10. GOODWILL

	2010 R'000	2009 R'000
Cost		
At the beginning of the year	599,358	597,296
Impairment of goodwill	(512,618)	–
Additional payments to vendors	63	2,062
At the end of the year	86,803	599,358

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination.

The carrying amount of goodwill has been allocated as follows:

	2010 R'000	2009 R'000
Vox Orion[1]	–	480,212
Vox Datapro	40,142	40,142
@lantic Internet[1]	15,779	48,185
Vox Amvia	29,357	29,357
Other[2]	1,525	1,462
	86,803	599,358

1 This relates to the impairment processed in the current year. Refer below for further detail.
2 The change in the current year relates to additional vendor payments.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. Since the last fiscal year, the Independent Communications Authority of South Africa (ICASA) has proposed significant changes to wholesale interconnect rates to be implemented via a glide path over a number of years. The first drop in interconnect rates was implemented on 1 March 2010 and the Group now have clarity about future reductions in interconnect rates based on ICASAs announcement on 29 October 2010. As a result of these changes, the Group has valued the Least Cost Routing (LCR) business based on management's best estimate of the impact these changes will have on future cash flows. In addition, the Group has also valued certain consumer ISP intangible assets based on expected future cash flows to be received through its subsidiary @lantic Internet. The net effect of this valuation process is that the entire goodwill for Vox Orion has been impaired and a portion of @lantic Internet's goodwill has been impaired.

When testing goodwill for impairment, the recoverable amounts of the CGUs are determined using value-in-use calculations. The key assumptions for the value-in-use calculations are discount rates, growth rates and expected cash flows. Management estimates discount rates using rates that reflect current market assumptions of the time value of money and the risks specific to the CGUs, the rates range from 17% to 19% (2009: 17% to 19%). The growth rates are based on industry growth forecasts.

The Group prepares cash flow forecasts based on the CGUs budgeted results for the next five years. A terminal value is calculated based on a growth rate of 4% (2009: 4.4%).

As the Group integrates the acquired customers into existing platforms as part of its business model the Group has aggregated the acquired businesses into the core business segments and has used these segments as CGUs for the purpose of performing the value-in-use calculations.

The Group's capital expenditure has been allocated to the relevant CGUs.

10. GOODWILL (continued)

	Vox Orion	Vox Datapro	@lantic Internet	Vox Amvia
2010				
Based on budgeted forecasts	Yes	Yes	Yes	Yes
Years used in forecast	5	5	5	5
Budgeted capital expenditure to revenue	3.8%	1.2%	1.1%	1.6%
Long term growth rate	4.0%	4.0%	4.0%	4.0%
Discount rate (WACC)	18.3%	17.3%	18.8%	18.1%
Turnover growth rate	(4.0%)	7.7%	15.6%	13.7%
Average GP margin	21.3%	27.5%	27.9%	50.2%
Average EBITDA to revenue	7.5%	11.9%	8.5%	23.2%
Operating expenses growth rate	6.9%	9.3%	7.1%	8.5%
Effective tax rate	28.0%	28.0%	28.0%	28.0%
2009				
Based on budgeted forecasts	Yes	Yes	Yes	Yes
Years used in forecast	7	5	5	5
Budgeted capital expenditure to revenue	0.3%	0.1%	1.0%	1.0%
Long term growth rate	4.4%	4.4%	4.4%	4.4%
Discount rate (WACC)	18.0%	17.0%	18.0%	17.0%
Turnover growth rate	10.1%	6.2%*	21.3%	13.8%
Average GP margin	15.3%	25.8%	28.0%	48.9%
Average EBITDA to revenue	6.4%	11.2%	11.0%	22.0%
Operating expenses growth rate	9.5%	10.2%	10.9%	11.7%
Effective tax rate	28.0%	28.0%	28.0%	28.0%

* *Growth percentage shown after reallocating wholesale customers to the Vox Core division.*

11. OTHER INTANGIBLES

	Cost/ carrying value R'000	Accumulated amortisation R'000	Net book value R'000
2010			
Computer software – Purchased	20,754	(6,806)	13,948
Computer software – Developed	8,615	(2,929)	5,686
Customer bases and contracts	385,438	(84,961)	300,477
Trademarks	34,255	(8,968)	25,287
Total	449,062	(103,664)	345,398
2009			
Computer software – Purchased	9,607	(2,053)	7,554
Computer software – Developed	8,615	(1,359)	7,256
Customer bases and contracts	713,899	(54,725)	659,174
Trademarks	34,254	(7,064)	27,190
Total	766,375	(65,201)	701,174

Notes to the Consolidated Annual Financial Statements

for the year ended 31 August 2010

11. OTHER INTANGIBLES (continued)

	Opening net book value R'000	Additions R'000	Disposals R'000	Amortisation R'000	Impairment R'000	Closing net book value R'000
Reconciliation of other intangible assets						
2010						
Computer software – Purchased	7,554	11,174	(24)	(4,756)	–	13,948
Computer software – Developed	7,256	–	–	(1,570)	–	5,686
Customer bases and contracts	659,174	67	–	(30,211)	(328,553)	300,477
Trademarks	27,190	–	–	(1,903)	–	25,287
Total	701,174	11,241	(24)	(38,440)	(328,553)	345,398
2009						
Computer software – Purchased	8,252	1,649	(353)	(1,882)	(112)	7,554
Computer software – Developed	6,820	1,070	–	(634)	–	7,256
Customer bases and contracts	689,601	–	(259)	(30,142)	(26)	659,174
Trademarks	29,093	–	–	(1,903)	–	27,190
Total	733,766	2,719	(612)	(34,561)	(138)	701,174

Intangible assets are amortised over the estimated useful life of the asset, which, on average, is 2 to 10 years for computer software, 18 years for trademarks and 4% (2009: 4%) for customer bases and contracts.

Since the last fiscal year, ICASA has proposed significant changes to wholesale interconnect rates to be implemented via a glide path over a number of years. The first drop in interconnect rates was implemented on 1 March 2010 and the Group now have clarity about future reductions in interconnect rates based on ICASAs announcement on 29 October 2010. As a result of these changes, the Group has valued the LCR business using discounted cash flows (DCF) which has resulted in the above impairment of the Vox Orion customer base.

12. FINANCE LEASE RECEIVABLE

	2010 R'000	2009 R'000
Finance lease receivable	2,295	2,698
Less: Payable in 1 year	(766)	(755)
Long term finance lease receivable	1,529	1,943

	Payable within 1 year R'000	Payable in 2 – 5 years R'000	Total R'000
2010			
Amounts receivable under finance lease			
Minimum lease payments receivable	1,061	1,861	2,922
Less: Unearned finance charges	(295)	(332)	(627)
Present value of lease payments receivable	766	1,529	2,295
2009			
Amounts receivable under finance lease			
Minimum lease payments receivable	1,114	2,397	3,511
Less: Unearned finance charges	(359)	(454)	(813)
Present value of lease payments receivable	755	1,943	2,698

The Group entered into finance leasing arrangements for PABX equipment. The average term of finance leases entered into is five years. The residual value of assets leased under finance leases at the balances sheet date is estimated at R2.3 million (2009: R2.7 million). The interest inherent in the leases is linked to the Namibian prime rate with the average effective interest rate being approximately 15.25% per annum. The finance lease receivables are secured over PABX equipment with a net book value of R2.3 million (2009: R2.7 million).

13. INVENTORIES

	2010 R'000	2009 R'000
Voice installation equipment	19,301	22,470
ADSL phones	8,349	14,408
Computer equipment for resale and rentals	3,852	4,186
Consumables	302	417
Provision for obsolete inventory	(2,863)	–
Total inventory	28,941	41,481
Inventory write-offs for the current period	3,071	1,837

Inventories are carried at the lower of cost or net realisable value and are encumbered as disclosed in note 17.

14. TRADE AND OTHER RECEIVABLES

	2010 R'000	2009 R'000
Trade receivables	230,411	268,530
Allowance for doubtful debts	(32,146)	(22,799)
	198,265	245,731
Prepayments	6,842	7,688
CIB receivable	–	4,072
Accrued income (unbilled LCR charges)	4,988	1,459
Other	7,795	6,303
	217,890	265,253
Movement in allowance for doubtful debts		
Balance at the beginning of the year	22,799	18,359
Increase in allowance recognised in profit or loss	13,836	16,592
Bad debts written off	(4,489)	(12,152)
Balance at the end of the year	32,146	22,799

The Group's policy is to provide fully for those customers who have outstanding balances significantly beyond terms or have otherwise been identified as non-recoverable. The historic experience of non-recoverability of accounts receivable balances across the Group is low. In the current year the Group wrote off R4.5 million (2009: R12.2 million) of bad debts which was provided for in full in the prior year. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly the directors believe that no further provision is required in excess of the allowance for doubtful debts.

The receivables are encumbered in terms of the medium-term loan, refer to note 17. Furthermore, certain subsidiaries have provided key suppliers with cession over their book debts as security for obligations.

Notes to the Consolidated Annual Financial Statements

for the year ended 31 August 2010

15. ISSUED CAPITAL

	Share capital 2010 R'000	Share capital 2009 R'000	Share premium 2010 R'000	Share premium 2009 R'000
Authorised				
2,000,000,000 (2009: 2,000,000,000) ordinary shares of 0.1 cent each	2,000	2,000	–	–
Issued				
1,108,500,699 (2009: 1,108,500,699) ordinary shares of 0.1 cent each	1,109	1,109	1,018,876	1,018,876

	Number of shares R'000	Share capital R'000	Share premium R'000
Ordinary shares			
2009			
Balance at the beginning of the previous year	1,101,327	1,101	1,002,384
Shares issued during the year	7,174	8	16,492
Ordinary shares issued – August 2009	1,108,501	1,109	1,018,876
2010			
Ordinary shares issued – August 2010	1,108,501	1,109	1,018,876

Ordinary shares, which have a par value of 0,1 cent carry one vote per share and carry the right to receive dividends.

The unissued ordinary shares are placed under the control of the shareholders of the Group until the next annual general meeting of the Group.

Share options granted under the employee share option plan

In 2009 the Vox Telecom Limited 2009 Share Plan was approved.

Refer to notes 16 and 21 for further details of the share options.

16. RESERVES

	Share-based payment reserve R'000	Foreign currency translation reserve R'000	Total Reserves R'000
2010			
Opening balance	9,606	(1,376)	8,230
Deregistration of STWS	–	1,376	1,376
Share-based payment expense on the Vox Telecom Limited 2009 Share Plan	4,523	–	4,523
Closing balance	14,129	–	14,129
2009			
Opening balance	6,396	(968)	5,428
Foreign currency movements	–	(408)	(408)
Share-based payment expense on Casey Share Incentive Scheme	3,198	–	3,198
Share-based payment expense on the Vox Telecom Limited 2009 Share Plan	12	–	12
Closing balance	9,606	(1,376)	8,230

The share-based payment reserve arises from the grant of share options to employees under two different share option plans, namely the Casey Share Incentive Scheme and the Vox Telecom Limited 2009 Share Plan. Details of the incentive schemes can be found in note 21. The share-based payment valuation was performed by independent experts for all periods. The Casey Share Incentive Scheme is equity-settled and the Vox Telecom Limited 2009 Share Plan is likely to be equity settled although the Company has the option to cash settle.

Casey Share Incentive Scheme

Details of the share options outstanding during the year are as follows:

	2010		2009	
	No of share options	Weighted average exercise price Rand	No of share options	Weighted average exercise price Rand
Outstanding at the beginning of the year	23,668,000	0.66	24,018,000	0.66
Granted during the year	–	–	–	–
Exercised during the year	–	–	–	–
Forfeited during the year	(5,684,000)	0.66	(350,000)	0.66
Outstanding at the end of the year	17,984,000	–	23,668,000	–
Exercisable at the end of the year	17,984,000	0.66	23.668.000	0.66

In the 2007 financial year, 11,500,000 options were granted on 7 September 2006 and 15,800,000 options on 20 November 2006. The estimated fair values of the options granted on these dates were R0.35 and R0.40 respectively.

These fair values were calculated using a binomial valuation model. The inputs into the model were as follows:

	2010	2009
Weighted average share price (Rand)	0.53 – 0.54	0.70 – 0.80
Strike price	0.66	0.66
Expected volatility	47.1% – 51.4%	47.1% – 51.4%
Expected life	6 years	6 years
Risk free rate	8%	8%
Expected dividend yield	–	–
Vesting period	3 years	3 years

Expected volatility was determined by calculating the historical volatility of the Group's share price over the number of previous years corresponding with the option lifetime and compared with companies in the same sector of industry. The expected life used in the model has been adjusted. based on management's best estimate. for the effects of non-transferability and behavioural considerations.

Notes to the Consolidated Annual Financial Statements

for the year ended 31 August 2010

16. RESERVES (continued)

Vox Telecom share incentive scheme

Details of the Share Appreciation Rights Scheme (SAR) outstanding during the year are as follows:

	2010		2009	
	No of share options	Weighted average exercise price Rand	No of share options	Weighted average exercise price Rand
Outstanding at the beginning of the year	38,797,559	0.54	–	–
Granted during the year	–	–	38,797,559	0.54
Exercised during the year	–	–	–	–
Forfeited during the year	(3,196,111)	0.54	–	–
Outstanding at the end of the year	35,601,448	0.54	38,797,559	0.54
Exercisable at the end of the year	–	–	–	–

The share-based costs were calculated using a binomial valuation model. The inputs into the model were as follows:

	2010	2009
Weighted average share price (Rand)	0.53 – 0.54	0.68 – 0.69
Grant price	0.54	0.54
Expected volatility	63.13%	63.13%
Expected life	6 years	6 years
Risk free rate	8%	8%
Vesting period from grant date	5 years	5 years

Share-based costs are measured at the fair value of the equity instruments at the date of grant as defined in IFRS 2. The grant date is the date on which the entity and the counterparty have a shared understanding of the terms and conditions of the share-based payment arrangement. The cost is expensed over the vesting period, based on the Group's estimate of the SAR that are expected to eventually vest.

Expected volatility was determined by calculating the historical volatility of the Group's share price over the number of previous years corresponding with the option lifetime and compared with companies in the same sector of industry. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability and behavioural considerations.

17. NON-CURRENT BORROWINGS

	2010 R'000	2009 R'000
Interest-bearing		
Secured		
Medium-term bank loan	102,261	162,921
Less: Included in current liabilities	(66,493)	(58,318)
	35,768	104,603
Capitalised finance leases	15,139	24,996
Less: Included in current liabilities	(13,224)	(10,617)
	1,915	14,379
Unsecured		
Working capital facility	–	12,389
Less: Included in current liabilities	–	(12,389)
	–	–
Total non-current interest bearing liabilities	37,683	118,982
Interest free		
Unsecured		
Vendor loans	–	1,499
Operating lease liability	2,658	758
Less: short-term portion	(383)	(1,499)
Total non-current non-interest bearing liabilities	2,275	758
Total non-current liabilities	39,958	119,740
Total current liabilities	80,100	82,824

The medium-term bank loan, raised on 15 February 2007 with Investec Bank Limited, is repayable in quarterly instalments over five years with a capital repayment holiday for the first two quarters, commencing on 15 November 2007. The loan attracts interest at a floating rate linked to the ninety-day JIBAR plus 3.05%. The loan is secured by intra-group cross suretyships, a general notarial bond to the value of R60.0 million registered over all the assets of the Group companies, the subordination of Group company claims in favour of Investec Bank Limited and the cession of the Group's right, title and interest in all insurance policies, shares and claims, accounts receivable balances and cash balances or deposits to secure its obligation in terms of the loan.

The short-term bank loan of R40.5 million in 2008 was raised on 4 December 2007 with Investec Bank Limited. On 18 November 2008, the short-term bank loan was converted to the three year medium-term loan under terms and conditions similar to the existing medium-term bank loans and is repayable in quarterly instalments over 3 years. The loan attracts interest at a floating rate linked to the ninety-day JIBAR plus 3,05%. The loan is secured as with the medium-term loan above.

Capitalised finance leases relates to computer equipment, inventory, ADSL phones and a motor vehicle and are repayable in monthly or quarterly instalments varying from one to three years at varying interest rates, some linked to the prime overdraft rate and some fixed at 11%. The capitalised finance leases are secured by moveable assets with a book value of R25.7 million (2009: R31.0 million).

The working capital facility relates to a loan facility from a shareholder, Lereko Metier Capital Growth Fund, that incurs interest at prime rate plus 3% with no fixed terms of repayment. As at the date of these accounts this facility had been repaid in full.

The vendor loans, in the prior year, relate to the outstanding purchase considerations due to various vendors.

The operating lease liability relates to the lease smoothing adjustment required by IAS 17 Leases.

Notes to the Consolidated Annual Financial Statements

for the year ended 31 August 2010

17. NON-CURRENT BORROWINGS (continued)

	Repayable within 1 year R'000	Repayable in 2 – 5 years R'000	Repayable after 5 years R'000	Total R'000
2010				
Medium-term bank loans				
Amount owing	73,857	36,929	–	110,786
Less: Future finance charges	(7,364)	(1,161)	–	(8,525)
Present value of obligations	66,493	35,768	–	102,261
Capitalised finance leases				
Amount owing	14,170	2,059	–	16,229
Less: Future finance charges	(946)	(144)	–	(1,090)
Present value of obligations	13,224	1,915	–	15,139
Total	79,717	37,683	–	117,400
2009				
Medium-term bank loans				
Amount owing	77,390	116,086	–	193,476
Less: Future finance charges	(19,072)	(11,483)	–	(30,555)
Present value of obligations	58,318	104,603	–	162,921
Capitalised finance leases				
Amount owing	13,266	27,152	–	40,418
Less: Future finance charges	(2,649)	(12,773)	–	(15,422)
Present value of obligations	10,617	14,379	–	24,996
Working capital facility				
Amount owing	14,778	–	–	14,778
Less: Future finance charges	(2,389)	–	–	(2,389)
Present value of obligations	12,389	–	–	12,389
Total	81,324	118,982	–	200,306

18. DEFERRED TAXATION

	2010 R'000	2009 R'000
Plant and equipment	(11,711)	(10,634)
Provisions and accruals	17,879	15,855
Prepaid expenditure	(1,722)	(2,366)
Operating lease liability	1,729	808
Estimated tax losses	11,001	21,425
Intangible assets	(73,125)	(174,314)
Net liability at the end of the year	(55,949)	(149,226)
Deferred taxation balances are presented in the statement of financial position as follows:		
Deferred taxation assets	9,481	16,780
Deferred taxation liabilities	(65,430)	(166,006)
	(55,949)	(149,226)
Reconciliation of the deferred taxation		
At the beginning of the year	(149,226)	(152,098)
Originating temporary differences on plant and equipment	(1,077)	(1,027)
Originating temporary differences on provisions and accruals	2,024	9,106
Reversing temporary differences on prepaid expenditure	644	1,460
Originating temporary differences on operating lease liability	921	259
Reversing temporary differences on estimated tax losses available for offset against future taxable income	(10,424)	(6,393)
Originating temporary differences on intangible assets	101,189	(533)
Total	(55,949)	(149,226)

19. TRADE AND OTHER PAYABLES

	2010 R'000	2009 R'000
Trade payables	217,706	208,016
Accruals	14,687	16,259
Sim accrual	19,529	9,716
Bandwidth accrual	5,357	12,860
VAT liability	8,872	12,456
Dealer accrual	1,189	7,938
Leave pay accrual	8,612	7,697
Operating lease liability	227	2,198
Other	7,725	14,930
	283,904	292,070

The average credit term is 30 days. No interest is charged.

Notes to the Consolidated Annual Financial Statements

for the year ended 31 August 2010

20. PROVISIONS

	2010 R'000	2009 R'000
Operating provisions and disputes	11,652	4,198
Bonuses	14,627	9,975
	26,279	14,173

	Opening balance R'000	Amounts released or utilised R'000	Amounts provided R'000	Closing balance R'000
Reconciliation of provisions – 2010				
Operating provisions and disputes	4,198	(1,362)	8,816	11,652
Bonuses	9,975	(10,082)	14,734	14,627
	14,173	(11,444)	23,550	26,279
Reconciliation of provisions – 2009				
Operating provisions and disputes	–	–	4,198	4,198
Bonuses	2,342	(1,495)	9,128	9,975
	2,342	(1,495)	13,326	14,173

Operating provisions and disputes – this relates to the estimated future outflow resulting from contract changes required by the service providers.

Bonuses – this is a best estimate of the constructive obligation to all staff based on approved compensation plans.

21. EMPLOYEE SHARE INCENTIVE SCHEME

Casey share incentive scheme

	2010 R'000	2009 R'000
Total options available to the scheme	17,984	23,668
Reconciliation of outstanding share options:		
Opening balance	23,668	24,018
Options forfeited	(5,684)	(350)
	17,984	23,668

Options may be exercised at any time after they have vested with the participant.

Vesting occurs over a three-year period as follows:

- 33.3% one year after the offer date
- 33.3% two years after the offer date
- 33.3% three years after the offer date

The options were issued to incentivise and retain key management considered to be critical to the success of the business, currently and in the future. Refer to note 34, *Events After Balance Sheet Date,* for more information concerning this scheme.

Offer date	Expiry date	Exercise price (R)	No of options at Aug 2009	No of options forfeited	No of options exercised	New options granted	No of options at Aug 2010
7 September 2006	–	0.66	11,500,000	–	–	–	11,500,000
20 November 2006	–	0.66	12,168,000	5,684,000	–	–	6,484,000
			23,668,000	5,684,000	–	–	17,984,000

Vox Telecom Limited 2009 Share Plan

The Vox Telecom Limited 2009 Share Plan (the Plan) was adopted by shareholders at general meeting held on 20 August 2009 and serves to align shareholder interest and long-term sustained performance. The Plan allocation will initially only consist of SAR. Provision is made for the award of performance and bonus shares which could be awarded in the future.

The total amounts available for allocation is equivalent to 77,595,119 Vox Telecom shares. The first SAR award representing 38,797,559 SAR was effected on 31 August 2009 (grant date). The second SAR award of 38,797,559 SAR is anticipated to be effected not earlier than 31 August 2010 or such later date as determined by the Remuneration Committee.

In terms of the Plan, executive directors and senior employees of Vox Telecom and its subsidiaries are awarded rights to receive shares in Vox Telecom. This is based on the value of these awards when the time and performance conditions have been met and the awards have vested. Termination of employees participation in the Plan is based on "No Fault" and "Fault" definitions as defined in the Plan.

The primary intent of the Plan is to incentivise, motivate and retain executives and senior management for long term sustained performance achievements which are aligned to shareholder value and at the same time to ensure optimal positioning in terms of the accounting and regulatory environment. It is envisaged that the rewards will be settled in shares but there is an option to settle in cash at the option of the Company should it elect so.

Notes to the Consolidated Annual Financial Statements

for the year ended 31 August 2010

21. EMPLOYEE SHARE INCENTIVE SCHEME (continued)

	2010 R'000	2009 R'000
Number of SAR relating to the 2009 share plan		
Total SAR available to the Plan	77,595	77,595
SAR granted on 31 August	38,798	38,798
Opening Balance	38,798	–
SAR granted	–	38,798
SAR exercised during the year	–	–
SAR forfeited	(3,196)	–
SAR outstanding at year end	35,602	38,798
SAR may be exercised at any time but only become exercisable when they have vested with the participant.		
Vesting occurs over a five-year period as follows:		
33.3% three years after the grant date,	11,867	12,932
33.3% four years after the grant date,	11,867	12,933
33.3% five years after the grant date,	11,868	12,933
Total number of unvested SAR	35,602	38,798

In terms of the Plan rules, the SAR expire after 6 years.

None of the SAR for the 2009 plan have vested yet.

	31 August 2010 '000	Grant price (cents)	Remaining life (years)
SAR granted but not yet exercised			
31 August 2010	38,798	0.54	5

	2010 R'000	2009 R'000
Share-based cost recognised	4,523	12

The share-based cost was calculated by using a binomial valuation model based on the assumptions included in Note 16.

22. RETIREMENT BENEFIT INFORMATION

Defined contribution plan

It is the policy of the Group to provide retirement benefits to all its employees. Two defined contribution plans, which are subject to the Pension Funds Act, 1956, existed during the year, namely the Vox Telecom Limited Pension Fund and the Orion Telecom Provident Fund.

The Group is under no obligation to cover any unfunded benefits.

The total Group's contributions to such funds for the year ended 31 August 2010 amounted to R9.2 million (2009: R9.1 million).

23. COMMITMENTS

	2010 R'000	2009 R'000
Commitments in respect of capital expenditure approved by directors:		
Contracted for	21,690	13,355
Not contracted for	90,631	37,206
	112,321	50,561

Commitments contracted for include planned capital expenditure on the network infrastructure.

Commitments not contracted for include the anticipated capital expenditure on the network infrastructure that will be spent on an incremental basis that is predominantly upgrades to the IP network .

Commitments will be funded from cash flows generated internally from operations and third party funding where necessary.

24. OPERATING LEASE COMMITMENTS

	2010 R'000	2009 R'000
Land and buildings		
Year 1	12,604	14,996
Years 2 to 5	20,387	28,068
	32,991	43,064

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of five years.

25. CONTINGENT LIABILITIES AND GUARANTEES

	2010 R'000	2009 R'000
Contingent liabilities		
Wholesale	5,518	11,088
Guarantees		
Network operators	8,043	14,000
Other	1,773	1,526
Facilities		
Banks	–	10,630

The Group has provided bank guarantees for R8 million (2009: R14 million) held by its bankers.

Update on Dealstream

The liquidators have confirmed the Group's claim, however, legal counsel for the Group has indicated that any liquidation dividend for proven claims is remote. There is no further exposure to the Group or the employees. The Group may continue to incur legal expenses as a result of interaction with the liquidator, which will be expensed in full as incurred.

Notes to the Consolidated Annual Financial Statements

for the year ended 31 August 2010

26. RELATED-PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. These transactions occurred at arms length. Details of transactions between the Group and other related parties are disclosed below.

Relationships:

Subsidiaries	Refer to note 29 for details on subsidiaries.
Shareholders	Lereko Metier Capital Growth Fund, its managers or affiliated entities
	Rand Merchant Bank a division of FirstRand Bank Limited (RMB)
Directors	Refer to note 27 for details on directors

Compensation of directors:

The remuneration of directors during the year was as follows:

	2010 R'000	2009 R'000
Share-based payment	4,523	3,210
Short-term benefits	9,663	14,021
	14,186	17,231

The remuneration of directors is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

Other related party transactions:

A working capital facility was outstanding from Lereko Metier Capital Growth Fund of R12.4 million in 2009. This loan has been fully repaid and there is no outstanding balance as at 31 August 2010.

Interest received from RMB in the current year amounted to R6.7 million (2009: R5.9 million).

27. DIRECTORS' EMOLUMENTS

	Services as directors of Vox Telecom Ltd R'000	Salary and allowances R'000	Bonuses and performance related payments R'000	Other benefits[8] R'000	Retirement and related benefits R'000	Sub-total R'000	Gains on exercise of share options R'000	Total R'000
For the year ended 31 August 2010								
Executive directors								
van Marken, AP	–	2,450	1,110	–	–	3,560	–	3,560
Reed, DG	–	2,298	1,110	152	–	3,560	–	3,560
von Holdt, CM[1]	–	1,020	660	–	13	1,693	–	1,693
Sweidan, GP[2]	–	–	–	–	–	–	–	–
du Toit, J[2]	–	–	–	–	–	–	–	–
Koen, GJ[3]	–	418	–	5	27	450	–	450
	–	6,186	2,880	157	40	9,263	–	9,263
Non-executive directors								
Dalais, RT	–	–	–	–	–	–	–	–
Röth, GE[4]	–	–	–	–	–	–	–	–
van Zyl, AD[5]	–	–	–	–	–	–	–	–
Gwagwa, NN[6]	–	–	–	–	–	–	–	–
Matiwaza, T[7]	–	–	–	–	–	–	–	–
Joubert, P	–	–	–	–	–	–	–	–
Cuba, VW	195	–	–	–	–	195	–	195
Wallace, D	205	–	–	–	–	205	–	205
	400	–	–	–	–	400	–	400
Total	400	6,186	2,880	157	40	9,663	–	9,663

1 Resigned as executive director 31 March 2010
2 Resigned as executive director 1 August 2009
3 Appointed as executive director 1 April 2010
4 Appointed as non-executive director 31 October 2009
5 Appointed as non-executive director 28 January 2010
6 Resigned as non-executive director 28 January 2010
7 Resigned as non-executive director 31 October 2009
8 Medical aid contributions

Notes to the Consolidated Annual Financial Statements

for the year ended 31 August 2010

27. DIRECTORS' EMOLUMENTS (continued)

	Services as directors of Vox Telecom Ltd R'000	Salary and allowances R'000	Bonuses and performance related payments R'000	Other benefits[4] R'000	Retirement and related benefits R'000	Sub-total R'000	Gains on exercise of share options R'000	Total R'000
For the year ended 31 August 2009								
Executive directors								
van Marken, AP[3]	–	2,196	1,110	2	–	3,308	–	3,308
Reed, DG	–	2,043	1,110	88	–	3,241	–	3,241
von Holdt, CM	–	1,260	660	–	30	1,950	–	1,950
Sweidan, GP	–	919	570	60	–	1,549	–	1,549
du Toit, J		1,514	960	32	58	2,564	–	2,564
	–	7,932	4,410	182	88	12,612	–	12,612
Non-executive directors								
Dalais, RT	–	–	–	–	–	–	–	–
Gwagwa, NN	–	–	–	–	–	–	–	–
Matiwaza, T	–	–	–	–	–	–	–	–
Joubert, P[2]	–	–	–	–	–	–	–	–
Cuba, VW[1]	7	–	–	–	–	7	–	7
Wallace, D[1]	5	–	–	–	–	5	–	5
	12	–	–	–	–	12	–	12
Total	12	7,932	4,410	182	88	12,624	–	12,624

1 Appointed as non-executive director 1 August 2009.

2 Appointed as non-executive director 27 October 2008.

3 Included is R65,000 relating to income earned in the prior year.

4 Medical aid contributions

28. INTERESTS OF DIRECTORS IN THE COMPANY'S SHARE SCHEME

Details of share options per director:

	Relevant date	Subscription price (R)	Market share price (R)	Number of shares/share options	Expiry date
van Marken, AP					
Casey Share Incentive Scheme					
Balance at the end of the previous year	7 September 2006	0.66	0.36	6,000,000	
Vox Telecom Limited 2009 Share Plan					
Balance at the end of the previous year	31 August 2009	0.54	0.36	4,000,000	31 August 2015
Balance at the end of the year				10,000,000	
Reed, DG					
Vox Telecom Limited 2009 Share Plan					
Balance at the end of the previous year	31 August 2009	0.54	0.36	8,000,000	31 August 2015
Balance at the end of the year				8,000,000	
von Holdt, CM					
Casey Share Incentive Scheme					
Balance at the end of the previous year	7 September 2006	0.66	0.36	4,000,000	
Forfeited		–	–	(4,000,000)	
Vox Telecom Limited 2009 Share Plan					
Balance at the end of the previous year	31 August 2009	0.54	0.36	2,000,000	
Forfeited		–	–	(2,000,000)	
Balance at the end of the year				–	
Koen, GJ					
Vox Telecom Limited 2009 Share Plan					
Balance at the end of the previous year	31 August 2009	0.54	0.36	666,894	31 August 2015
Balance at the end of the year				666,894	

Notes to the Consolidated Annual Financial Statements

for the year ended 31 August 2010

29. PRINCIPAL SUBSIDIARIES

Details of Vox Telecom's subsidiary companies are as follows:

	No of shares in issue	Place of incorporation and operation	Ownership %	Voting power %	Principal activity	Shares at book value R'000	Indebtedness at cost R'000	Accumulated impairments R'000	Indebtedness at book value R'000
2010									
Name of company									
Direct Holdings of Vox Telecom Limited									
@lantic Internet Services (Pty) Ltd	1,000	South Africa	100	100	Consumer ISP	41,809	48,964	–	48,964
@lantic Exchange Computer Trading (Pty) Ltd	100	South Africa	100	100	Computer hardware & software buying group	–	7,423	3,939	3,484
Vox Datapro (Pty) Ltd	20,000	South Africa	100	100	Corporate ISP	27,456	58,693	-	58,693
Vox Datapro Faxing Solutions (Pty) Ltd t/a "ProFax"	100	South Africa	100	100	Corporate & consumer faxing solutions	–	802	572	230
Vox Products (Pty) Ltd	100	South Africa	100	100	Managed voice services supplier	70,000	17	–	17
Dial Electronics (Pty) Ltd	1,000	South Africa	100	100	Managed voice services supplier	20,000	–	–	–
Orion Telecom Investment Holdings (Pty) Ltd	1,000	South Africa	100	100	Managed voice services supplier	398,126	–	–	–
VoIP Telecorporation (Pty) Ltd	100	South Africa	100	100	Managed voice services supplier	5,000	3,437	–	3,437
Vox Amvia (Pty) Ltd	827,242	South Africa	100	100	Corporate & consumer faxing solutions	43,783	–	–	–
Casey Share Incentive Trust	–	South Africa	100	100	Share incentive administrator	–	16,533	16,533	–
Orion Telecom (Pty) Ltd	100	Namibia	100	100	Managed voice services supplier	4,000	13,419	–	13,419
Storm Telecom (Pty) Ltd	100	South Africa	100	100	Managed voice services supplier	337,478	16,734	–	16,734
Indirect holdings:									
Orion Cellular (Pty) Ltd	1	South Africa	100	100	Managed voice services supplier	–	8,233	–	8,233
Orion Data Services (Pty) Ltd	600,000	South Africa	100	100	Managed voice services supplier	–	–	–	–
Vox Orion (Pty) Ltd	200	South Africa	100	100	Managed voice services supplier	–	–	–	–
Orion Telecom Corporation (Pty) Ltd	100	South Africa	100	100	Managed voice services supplier	–	–	–	–
Dormant companies:									
Casey Business Solutions (Pty) Ltd	100	South Africa	100	100		–	12,155	11,605	550
Casey Business Solutions (Cape) (Pty) Ltd	100	South Africa	100	100		–	880	880	–
Casey Business Solutions (KZN) (Pty) Ltd	100	South Africa	100	100		–	773	773	–
Casey Consulting (Pty) Ltd	100	South Africa	100	100		–	292	292	–
Casey Onsite (Pty) Ltd	100	South Africa	100	100		–	–	–	–
Caseynet (Pty) Ltd	100	South Africa	100	100		–	166	143	23
Micro Matrix (Pty) Ltd	100	South Africa	100	100		–	751	751	–
Northern Jungle Trading 121 (Pty) Ltd (aka BizCall)	200	South Africa	100	100		1,295	218	218	–
Vox Telecom Sales (Pty) Ltd	100	South Africa	100	100		–	–	–	–
						948,947	189,490	35,706	153,784

29. PRINCIPAL SUBSIDIARIES (continued)

	No of shares in issue	Place of incorporation and operation	Ownership %	Voting power %	Principal activity	Shares at book value R'000	Indebtedness at cost R'000	Accumulated impairments R'000	Indebtedness at book value R'000
2009									
Name of company									
Direct Holdings of Vox Telecom Limited									
@lantic Internet Services (Pty) Ltd	1,000	South Africa	100	100	Consumer ISP	41,809	74,137	–	74,137
@lantic Exchange Computer Trading (Pty) Ltd	100	South Africa	100	100	Computer hardware & software buying	–	6,847	3,939	2,908
Vox Datapro (Pty) Ltd	20,000	South Africa	100	100	Corporate ISP	27,456	59,911	–	59,911
Vox Datapro Faxing Solutions (Pty) Ltd t/a "ProFax"	100	South Africa	100	100	Corporate & consumer faxing solutions	–	572	572	–
Vox Products (Pty) Ltd	100	South Africa	100	100	Managed voice services supplier	70,000	888	–	888
Dial Electronics (Pty) Ltd	1,000	South Africa	100	100	Managed voice services supplier	20,000	–	–	–
Vox Orion Telecom Investment Holdings (Pty) Ltd	1,000	South Africa	100	100	Managed voice services supplier	398,126	–	–	–
VoIP Telecorporation (Pty) Ltd	100	South Africa	100	100	Managed voice services supplier	5,000	5,352	–	5,352
Vox Amvia (Pty) Ltd	827,242	South Africa	100	100	Corporate & consumer faxing solutions	43,783	2,029	–	2,029
STWS (UK) Ltd *	223,861	United Kingdom	100	100	Managed voice services supplier	377,213	–	–	–
Casey Share Incentive Trust	–	South Africa	100	100	Share incentive administrator	–	16,533	16,533	–
Orion Telecom (Pty) Ltd	100	Namibia	100	100	Managed voice services supplier	4,000	14,800	–	14,800
Indirect holdings:									
Orion Cellular (Pty) Ltd	1	South Africa	100	100	Managed voice services supplier	–	–	–	–
Orion Data Services (Pty) Ltd	600,000	South Africa	100	100	Managed voice services supplier	–	–	–	–
Vox Orion (Pty) Ltd	200	South Africa	100	100	Managed voice services supplier	–	–	–	–
Orion Telecom Corporation (Pty) Ltd	100	South Africa	100	100	Managed voice services supplier	–	–	–	–
Storm Telecom (Pty) Ltd	100	South Africa	100	100	Managed voice services supplier	–	–	–	–
Dormant companies:									
Casey Business Solutions (Pty) Ltd	100	South Africa	100	100		–	11,588	11,588	–
Casey Business Solutions (Cape) (Pty) Ltd	100	South Africa	100	100		–	880	880	–
Casey Business Solutions (KZN) (Pty) Ltd	100	South Africa	100	100		–	773	773	–
Casey Consulting (Pty) Ltd	100	South Africa	100	100		–	292	292	–
Casey Onsite (Pty) Ltd	100	South Africa	100	100		–	-	-	–
Caseynet (Pty) Ltd	100	South Africa	100	100		–	143	143	–
Micro Matrix (Pty) Ltd	100	South Africa	100	100		–	768	768	–
Northern Jungle Trading 121 (Pty) Ltd (aka BizCall)	200	South Africa	100	100		1,295	218	218	–
Orion Telecom Consulting (Pty) Ltd	1	South Africa	100	100		–	–	–	–
Madalatrade (Pty) Ltd	100	South Africa	100	100		–	–	–	–
Vox Telecom Sales (Pty) Ltd	100	South Africa	100	100		–	–	–	–
						988,682	195,731	35,706	160,025

* *STWS was deregistered 1 September 2009.*

Notes to the Consolidated Annual Financial Statements

for the year ended 31 August 2010

30. NOTES TO THE STATEMENT OF CASH FLOWS

	2010 R'000	2009 R'000
30.1 Cash flow from trading		
(Loss) profit before taxation	(743,221)	88,408
Adjustment for:		
Depreciation and amortisation	87,680	73,397
Impairment of property, plant and equipment	956	9,610
Impairment of inventory	3,071	1,837
Impairment of goodwill and intangibles	841,171	139
Net loss on disposal of property, plant and equipment (including intangibles)	159	869
Net finance costs	8,865	32,004
Share-based payment expense	4,523	3,210
Movement in foreign currency translation reserve	1,376	(408)
Increase in operating lease liability	1,517	256
Other non cash movements	21	(4)
	206,118	209,318
30.2 Working capital movements		
Increase in inventories	(6,627)	(6,367)
Decrease in trade receivables and prepayments	47,363	41,315
Increase (decrease) in trade payables and provisions	3,940	(59,189)
	44,676	(24,241)
30.3 Taxation Paid		
Normal taxation:		
Amounts owing at the beginning of the year	(10,035)	(13,666)
Amounts (receivable) owing at the end of the year	(3,500)	10,035
Taxation charged to the income statement (excluding deferred taxation)	(29,743)	(30,497)
	(43,278)	(34,128)
30.4 Additional vendor payments		
Additional vendor payments (Refer to note 10)	63	8,543
30.5 Non-cash items that did not result in cash movement		
Settlement of Vox Amvia vendor loans through issue of shares	–	16,500
Net transfers from inventories to plant and equipment	16,096	15,908
	16,096	32,408
30.6 Cash and cash equivalents at year end		
Cash on hand and balances with banks	164,164	92,116
Cash and cash equivalents at year end	164,164	92,116

31. FINANCIAL INSTRUMENTS

31.1 Capital risk management

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances.

The capital structure of the Group consists of debt, more specifically medium-term interest-bearing debt, and equity attributable to equity holders of the parent, comprising share capital, share premium, reserves and retained earnings.

The Board reviews the capital structure at each committee meeting. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the Group will balance its overall capital structure through the issue of new share issues or the issue of new debt alternatively through the buy-back of shares or the redemption of existing debt.

	2010 R'000	2009 R'000
Debt	120,058	202,564
Cash and cash equivalents	(164,164)	(92,116)
Net debt	(44,106)	110,448
Equity	491,564	1,165,352
Total capital	447,458	1,275,800
Debt/Equity Ratio	24%	17%

The statement of financial position remains relatively ungeared with the current debt to equity ratio calculated at 24% (2009: 17%).

The Debt/Equity ratio is 10% before taking into account the impairment recognised against the Group's intangible assets in the current financial period.

31.2 Categories of financial instruments

Fair values of financial instruments

All financial instruments have been classified according to the relevant IAS 39 Financial Instruments: Recognition and Measurement category. There is no difference between their fair value and carrying value and they are accounted for as follows:

Financial assets

These are held at amortised cost less any impairment losses recognised to reflect irrecoverable amounts.

Financial liabilities

All financial liabilities are held as non-trading liabilities and are shown at amortised cost.

Financial risk management

Market risk is the risk that the fair value of cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, credit risk, liquidity risk and cash flow interest rate risk.

The Group's head office provides a corporate treasury function to the business, co-ordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Group through internal management meetings which analyse exposures by degree and magnitude of risks.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. Foreign exposure risk are limited and should this increase in the future the use of foreign exchange contacts will be considered. The corporate treasury function reports to the Audit Committee at each meeting. Based on the advice of the Audit Committee, management implements policies to mitigate risk exposure.

Notes to the Consolidated Annual Financial Statements
for the year ended 31 August 2010

31. FINANCIAL INSTRUMENTS (continued)

31.3 Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group does not enter into any form of derivative financial instruments to manage its exposure to interest rate and foreign currency risk at this stage as the risk is deemed negligible.

31.3.1 Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. This risk is however deemed negligible as the group does not engage in material foreign transactions. As a result, exchange rate exposures are not managed by utilising forward foreign exchange contracts.

Foreign exchange used to convert to Rands at 31 August:

	2010 R'000	2009 R'000
Euro	9.32	11.25
USD	7.34	7.80
GBP	11.38	12.70

The following information relates to open contracts:

	2010 R'000	2009 R'000
USD amounts ($'000)	1,420	–
Exchange rates varying from R/USD	7.41 – 8.06	–
Local currency amounts to be paid (R'000)	11,285	–

At year end, the settlement dates for any open buy forward exchange contracts ranged between 1 month and 11 months (2009: None).

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	2010 R'000	2009 R'000
Receivables		
Euro	–	–
US Dollar (USD)	–	4
Pound Sterling (GBP)	10	10
	10	14

31. FINANCIAL INSTRUMENTS (continued)

	2010 R'000	2009 R'000
Payables		
Euro	29	37
US Dollar	590	807
Pound Sterling	74	29
	693	873
Cash balances		
US Dollar	465	–
Pound Sterling	10	22
	475	22

Foreign currency sensitivity analysis

The following is a sensitivity analysis of foreign currencies based on a 10% increase from the rate used at year end. The 10% variation is based on management's assessment of a reasonably possible change in exchange rates. The analysis includes accounts payable, receivable and cash balances held in foreign currency with positive amounts denoting an increase in profit.

	2010 R'000 Euro impact	2009 R'000 Euro impact
Variation		
Payables	(3)	(4)
	(3)	(4)

	USD impact	USD impact
Variation		
Receivables	–	–
Payables	(59)	(82)
Cash balances	47	–
Open FECs	176	–
	164	(82)

	GBP impact	GBP impact
Variation		
Receivables	1	1
Payables	(7)	(2)
Cash balances	1	1
	(5)	–

The Group's sensitivity to foreign currency exposures has remained stable up until 31 August 2010. The Group's exposure to foreign currencies is limited and is not expected to increase disproportionately in the year ahead.

Given the uncertainty and instability in world economies and the volatility in the Rand to foreign currencies since 31 August 2010 these exposures are being carefully monitored and the use of forward exchange contracts will be considered if deemed necessary in the future.

Notes to the Consolidated Annual Financial Statements

for the year ended 31 August 2010

31. FINANCIAL INSTRUMENTS (continued)

31.3.2 Interest rate risk management

The Group is exposed to interest rate risk as it has borrowed sums of money at floating rates. The Group does not have an official policy on managing floating rate risk but considers the need to hedge this risk on a loan by loan basis. The interest-bearing funding requirements and the investment of surplus cash funds are managed by the Group through its own commercial bank facilities.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 100 basis point increase (2009: decrease) is used as management believes this is a reasonable amount of interest rate variance in the current economic climate.

	2010 R'000	2009 R'000
Medium-Term Bank Loan	(846)	1,629
Capitalised finance leases	(206)	250
	(1,052)	1,879

The Group's sensitivity to interest rate risk is expected to be minimal in the year ahead with the interest rates expected to remain stable. The Group is not anticipating to raise additional funding by way of debt in the year ahead.

31.4 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure is continuously monitored with reports of long overdue amounts and the breakdown of customer sales reviewed by top management monthly.

Trade accounts receivable consist primarily of a large, widespread customer base. Group companies regularly monitor the financial position of their customers. Where considered appropriate, credit guarantee insurance is used. The granting of credit is controlled by application and account limits. Provision is made for both specific bad debts, as well as portfolio exposure and at year end management did not consider there to be any material credit risk exposure that was not already covered by credit guarantee insurance or doubtful debt provisions. Below the five largest customers are disclosed:

	Credit Limit 2010 R'000	Carrying Amount 2010 R'000	Credit Limit 2009 R'000	Carrying Amount 2009 R'000
Customer 1	17,000	16,938	10,000	9,137
Customer 2	3,900	3,824	10,000	8,925
Customer 3	3,300	3,263	5,000	2,924
Customer 4	3,000	2,717	5,000	2,531
Customer 5	2,800	2,573	5,000	2,340

31. FINANCIAL INSTRUMENTS (continued)

The following tables represent information about the credit quality of financial assets and related provisions that are neither passed due nor impaired as well as financial assets that are passed due or impaired and the movement in the allowance for doubtful debt.

	2010 R'000	2009 R'000
Ageing of trade debtors		
Not past due	169,622	221,207
Past due 0 - 30 days	19,868	12,477
Past due 31 - 120 days	16,829	18,820
Past due 121 - 360 days	21,898	14,774
Past due more than 1 year	2,194	1,252
	230,411	268,530
Movement in allowance for doubtful debt		
Opening balance	22,799	18,359
Amounts written off during year	(4,489)	(12,152)
Amounts recovered during year	155	413
Increase in allowance recognised in income	13,681	16,179
	32,146	22,799
Ageing of provision for doubtful debtors		
Not past due	473	57
Past due 0 - 30 days	1,544	273
Past due 31 - 120 days	6,047	10,713
Past due 121 - 360 days	21,888	11,422
Past due more than 1 year	2,194	334
	32,146	22,799

31.5 Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board, which is assessed on an ongoing basis for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. No significant risk exists as the group is conservatively structured and the operations generate positive cash flows. The Group has a cash balance of R164.1 million (2009: R92.1 million).

Notes to the Consolidated Annual Financial Statements

for the year ended 31 August 2010

31. FINANCIAL INSTRUMENTS (continued)

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	2010 R'000	2009 R'000
Interest and non-interest bearing		
Medium-term bank loans		
Less than 1 month	–	–
1 – 3 months	18,464	19,347
3 months to 1 year	55,393	58,043
1 – 5 years	36,929	116,086
5+ years	–	–
	110,786	193,476
Capitalised finance leases		
Less than 1 month	963	1,043
1 – 3 months	3,136	2,288
3 months to 1 year	10,071	9,936
1 – 5 years	2,059	27,150
5+ years	–	–
	16,229	40,417
Working capital facility		
Less than 1 month	–	2,398
1 – 3 months	–	5,000
3 months to 1 year	–	7,380
1 – 5 years	–	–
5+ years	–	–
	–	14,778
Vendor financing		
Less than 1 month	–	–
1 – 3 months	–	–
3 months to 1 year	–	1,499
1 – 5 years	–	–
5+ years	–	–
	–	1,499
Total		
Less than 1 month	963	3,441
1 – 3 months	21,600	26,635
3 months to 1 year	65,464	76,858
1 – 5 years	38,988	143,236
5+ years	–	–
	127,015	250,170

32. SEGMENTAL REPORTING

Primary business segments

The Group operates through its' six operating businesses, namely Vox Orion, Vox Datapro, @lantic, Vox Amvia, Vox Core and Vox Telepreneur. This is different to the prior year with the additional segments of Vox Core and Vox Telepreneur being split out as separate segments whereas in the prior year these were incorporated into Corporate and other. Other areas include corporate head office and the other early stage businesses.

32. SEGMENTAL REPORTING (continued)

The Group's principal product offerings are as follows:

Vox Orion	– Corporate voice and data. All voice acquisitions, namely Definity, Dial and Voip Telecoms, Namibia and Storm Telecom have been incorporated into Vox Orion.
Vox Datapro	– Corporate voice and data ODS and Storm Telecom (data only) have been incorporated into Vox Datapro.
@lantic	– Consumer data through @lantic Internet Services which includes AIA.
Vox Amvia	– Fax services through Vox Amvia.
Vox Core	– Wholesale voice and data. All purchases of minutes and data bundles is done through Vox Core.
Vox Telepreneur	– Consumer VOIP through sales of Vox Supafone.

Corporate and other - includes @lantic Exchange, the Service Centre and corporate head office. In the prior year, Orion Namibia was also included under Other, but this has been regrouped to Vox Orion.

* Vox Datapro's wholesale business, which includes revenue of R81.7 million and EBITDA of R11.9 million for the year ended 31 August 2010, has been re-allocated to Vox Core during the year.

\# During the current year, Vox Core transacted with a single customer which exceeded 10% of the total revenue of the segment.

^ Included in cost of sales was depreciation on ADSL phones and computer hardware to the value of R9.3 million (2009: R3.9 million).

The prior year comparatives have been amended to reflect the first time adoption of IFRS 8 Operating Segments, which requires that information be presented "through the eyes of management". The changes include the disclosure of two additional segments as mentioned above, the disclosure of intergroup revenue as well as the presentation of the results net of inter-group charges.

	Total R'000	Inter-company eliminations R'000	Vox Orion R'000	Vox Datapro* R'000	@lantic R'000	Vox Amvia R'000	Vox Core# R'000	Vox Tele-preneur R'000	Corporate and other R'000
2010									
Revenue (External customers)	2,070,755	–	1,214,535	351,170	199,221	36,039	234,428	33,676	1,686
Revenue (Internal customers)	–	(579,906)	66,406	20,307	5,201	4,140	481,267	2,424	161
Cost of sales^	(1,540,339)	579,906	(1,070,937)	(267,744)	(136,851)	(16,896)	(604,406)	(23,161)	(250)
Gross profit	530,416	–	210,004	103,733	67,571	23,283	111,289	12,939	1,597
Other income	1,113	–	159	–	307	22	1,108	2,757	(3,240)
Employment costs	(198,092)	–	(84,000)	(27,983)	(12,765)	(7,701)	(22,555)	(3,496)	(39,592)
Occupancy costs	(22,530)	–	(8,372)	(1,413)	(1,541)	(632)	(6,508)	–	(4,064)
Other operating costs	(115,086)	–	(30,476)	(17,528)	(22,580)	(4,117)	(19,710)	(9,867)	(10,808)
Earnings before interest, taxes, depreciation and amortisation	195,821	–	87,315	56,809	30,992	10,855	63,624	2,333	(56,107)
Depreciation and amortisation	(87,630)								
Net finance costs	(8,865)								
Profit before taxation and exceptional items	99,326								
Exceptional items	(842,547)								
Loss before taxation	(743,221)								
Taxation	63,534								
Loss for the year	(679,687)								
Inventory	28,941		7,820	144	2,522	866	8,937	8,652	–
Goodwill	86,803		–	40,142	15,779	29,357	–	–	1,525
Intangible assets (excluding software)	325,765		190,017	26,811	76,419	14,655	–	–	17,863
Other segment assets	548,550		271,195	67,838	16,695	17,696	100,482	30,326	44,318
Total assets	990,059		469,032	134,935	111,415	62,574	109,419	38,978	63,706
Total liabilities	498,495		220,033	99,021	35,443	12,173	109,273	19,617	2,935

Notes to the Consolidated Annual Financial Statements

for the year ended 31 August 2010

32. SEGMENTAL REPORTING (continued)

	Total R'000	Inter-company eliminations R'000	Vox Orion R'000	Vox Datapro* R'000	@lantic R'000	Vox Amvia R'000	Vox Core# R'000	Vox Tele-preneur R'000	Corporate and other R'000
2009									
Revenue (External customers)	2,082,533	–	1,340,533	336,539	199,446	31,358	109,072	20,215	45,370
Revenue (Internal customers)	–	(665,595)	79,569	88,264	4,051	4,818	449,009	1,581	38,303
Cost of sales ^	(1,555,638)	665,595	(1,160,975)	(326,285)	(131,080)	(15,493)	(478,514)	(18,217)	(90,669)
Gross profit	526,895	–	259,127	98,518	72,417	20,683	79,567	3,579	(6,996)
Other income	7,635	–	1,453	–	–	79	610	3,832	1,661
Employment Costs	(184,227)	–	(80,287)	(24,411)	(10,922)	(6,909)	(20,500)	(3,095)	(38,103)
Occupancy costs	(21,245)	–	(9,552)	(1,467)	(1,190)	(571)	(6,508)	–	(1,957)
Other operating costs	(123,664)	–	(30,172)	(12,490)	(17,789)	(3,205)	(8,969)	(1,734)	(49,305)
Earnings before interest, taxes, depreciation and amortisation	205,394	–	140,569	60,150	42,516	10,077	44,200	2,582	(94,700)
Depreciation and amortisation	(73,397)								
Net finance costs	(32,004)								
Profit before taxation and exceptional items	99,993								
Exceptional items	(11,585)								
Profit before taxation	88,408								
Taxation	(27,628)								
Profit for the year	60,780								
Inventory	41,481		10,877	–	2,940	1,313	11,526	14,825	–
Goodwill	599,358		480,212	40,142	48,185	29,357	–	–	1,462
Intangible assets (excluding software)	686,364		541,837	28,018	81,370	15,401	–	–	19,738
Other segment assets	524,972		298,680	78,604	27,495	15,037	79,259	25,896	1
Total assets	1,852,175		1,331,606	146,764	159,990	61,108	90,785	40,721	21,201
Total liabilities	686,823		213,553	48,101	21,220	6,559	67,818	24,821	304,751

The corporate column includes certain consolidation entries. All inter-company transactions have been eliminated in the above results.

Secondary geographic segments

The Group's business operate in two principal geographical areas – South Africa and Namibia.

	Total 2010 R'000	South Africa 2010 R'000	Namibia 2010 R'000	Total 2009 R'000	South Africa 2010 R'000	Namibia 2010 R'000
Sales	2,070,755	2,037,230	33,525	2,082,533	2,051,834	30,699
Segment assets	990,059	968,690	21,369	1,852,175	1,823,919	28,256

33. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in note 1, the key assumptions made concerning the future and other key sources of estimation uncertainty at the balance sheet date that could have a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year are:

Allowance for doubtful debts

At each balance sheet date the group assesses whether there is any objective evidence that debtors are impaired. Accounts are written off when they are irrecoverable.

Intangible assets and amortisation rate

It is the policy of the group to provide amortisation on the customer base based on the attrition rate. The attrition rate is the ratio of customers not renewing or cancelling their contracts as a percentage of the acquired customer base. The ratio is determined by senior management on a monthly basis, and has been calculated at 4% (2009: 4%) for the current year.

As a result of an increase in the churn rate experienced by Vox Orion and @lantic Internet, the prospective amortisation rates to be applied to aquired customer bases will be adjusted to 5 years for the acquired ABSA customer base, 10 years for the remaining @lantic Internet customer bases and 18 years for the Vox Orion customer base. These changes in the estimated useful lives have not been updated in the 2010 annual financial statements as it will be adopted prospectively in 2011. If the revised amortisation rates of 5 years for ABSA, 10 years for @lantic and 18 years for the Vox Orion customer base were applied in 2010, the amortisation for the ABSA customer base would have been R2.4 million higher, the amortisation for the remaining @lantic customer bases would have been R6.7 million higher and the amortisation of the Vox Orion customer base would have been R3.8 million higher.

Impairment of goodwill

Management used the value in use to determine the recoverable amount of goodwill and identifying assets that may have been impaired.

The Board has assessed and approved the assumptions used and as a result are comfortable that this is appropriate.

Connection incentive bonuses (CIB)

CIBs are recognised in full at inception of each new contract. A provision is raised for the estimated refunds on contracts which are terminated before the stated 24 or 36 months. CIBs recognised in the current year amounted to R8.0 million (2009: R96.0 million) and refunds of CIBs amounted to Rnil (2009: Rnil).

34. EVENTS AFTER BALANCE SHEET DATE

The directors have assessed any events that have occurred between year-end and the date that the financial statements were authorised for issue and the only event material to the financial statements was the decision to terminate the Casey Share Incentive Scheme (the scheme).

At year end the scheme consisted of 17,984,000 unexercised, but fully vested, share options at a strike price of 66 cents per option which were not capable of being exercised in terms of the scheme rules. The Board resolved to terminate the scheme; the impact of which is that the R9.6 million share-based payments reserve, expensed over the three preceding years will be recycled into retained earnings in 2011.

Company Statement of Comprehensive Income

for the year ended 31 August 2010

	Notes	2010 R'000	2009 R'000
Revenue	3	646,999	490,226
Cost of sales		(517,180)	(411,017)
Gross profit		129,819	79,209
Other income		64,092	96,113
Operating expense		(42,501)	(21,477)
Depreciation and amortisation		(32,144)	(25,156)
Employment costs		(28,766)	(23,595)
Occupancy costs		(6,903)	–
Operating profit	4	83,597	105,094
Finance income	5	14,900	20,359
Finance costs	5	(19,414)	(46,499)
Net finance costs		(4,514)	(26,140)
Profit before taxation and exceptional items		79,083	78,954
Exceptional items	6	–	(9,598)
Profit before taxation		79,083	69,356
Taxation	7	(11,648)	1,729
Profit for the year		67,435	71,085
Total comprehensive income for the year		67,435	71,085

Company Statement of Financial Position

at 31 August 2010

	Notes	2010 R'000	2009 R'000
Assets			
Non-current a ssets		1,069,735	1,114,828
Plant and equipment	8	95,001	94,904
Goodwill	9	2,838	2,838
Other intangibles	10	22,808	16,615
Investments	11	948,947	988,682
Deferred taxation	12	141	11,789
Current assets		266,809	194,532
Inventories	13	17,589	26,352
Trade and other receivables	14	90,023	7,973
Loans to Group companies	11	102,799	160,025
Taxation		1,285	–
Cash and bank balances		55,113	182
Total assets		1,336,544	1,309,360
Equity and liabilities			
Capital and reserves		1,089,690	1,017,732
Share capital	15	1,109	1,109
Share premium	15	1,018,876	1,018,876
Reserves	16	14,129	9,606
Retained earnings (accumulated loss)		55,576	(11,859)
Non-current liabilities		37,053	117,750
Non-current borrowings:			
– Interest-bearing	17	37,053	117,750
Current liabilities		209,801	173,878
Loans from Group companies	18	34,588	29,575
Trade and other payables	19	78,428	56,935
Provisions	20	17,601	6,691
Short-term portion of non-current borrowings	17	79,184	80,677
Total equity and liabilities		1,336,544	1,309,360

Company Statement of Changes in Equity

for the year ended 31 August 2010

	Share Capital R'000	Share Premium R'000	Total share capital R'000	Reserves R'000	(Accumu-lated loss) Retained Earnings R'000	Total Equity R'000
Balances as at 1 September 2008	1,101	1,002,384	1,003,485	6,396	(82,944)	926,937
Total comprehensive income for the year	–	–	–	–	71,085	71,085
Shares issued (net of costs)	8	16,492	16,500	–	–	16,500
Share-based payment expense	–	–	–	3,210	–	3,210
Balance as at 31 August 2009	1,109	1,018,876	1,019,985	9,606	(11,859)	1,017,732
Total comprehensive income for the year	–	–	–	–	67,435	67,435
Share-based payment expense	–	–	–	4,523	–	4,523
Balance as at 31 August 2010	1,109	1,018,876	1,019,985	14,129	55,576	1,089,690

Company Statement of Cash Flows

for the year ended 31 August 2010

	Notes	2010 R'000	2009 R'000
Cash flow from operating activities			
Operating cash before working capital movements	24.1	131,597	137,340
Working capital movements	24.2	(60,012)	39,272
Cash generated from operations		71,585	176,612
Interest received		14,900	20,359
Interest paid		(19,414)	(46,499)
Taxation paid	24.3	(1,285)	–
Net cash inflow from operating activities		65,786	150,472
Cash flow from investing activities			
Additions to plant and equipment to expand operations	8	(21,442)	(39,869)
Additions to other intangibles to expand operations	10	(10,464)	(2,175)
Proceeds on disposal of property, plant and equipment		1,266	100
Transfers of plant and equipment		–	(12,750)
Movement in loans to / from Group companies		101,975	(55,175)
Additional vendor payments		–	(600)
Net cash inflow (outflow) from investing activities		71,335	(110,469)
Cash flow from financing activities			
(Repayment) proceeds from long and short term borrowings		(82,190)	(39,992)
Net cash outflow from financing activities		(82,190)	(39,992)
Net increase in cash and cash equivalents		54,931	11
Cash and cash equivalents at the beginning of the year		182	171
Cash and cash equivalents at the end of the year	24.5	55,113	182

Notes to the Company Annual Financial Statements

for the year ended 31 August 2010

3. REVENUE

	2010 R'000	2009 R'000
Sales of services	617,261	469,858
Sales of hardware	6,617	4,511
System rentals	23,121	15,857
	646,999	490,226

4. OPERATING PROFIT

	2010 R'000	2009 R'000
Operating profit for the year has been arrived at after charging (crediting):		
Depreciation and amortisation (owned assets):		
Fixtures, fittings, plant and equipment	730	662
Computer hardware	4,490	4,191
Network equipment	22,283	14,751
Leasehold improvements	369	202
Motor vehicles	25	–
Computer software – Purchased	3,482	1,130
Computer software – Developed	312	272
Customer bases and contracts	453	453
Depreciation and amortisation (leased assets):		
Computer equipment	–	3,494
Impairment of assets	669	–
Foreign exchange profit	(238)	(523)
Share-based payment expense	4,523	3,210
Operating lease charges:		
Land and buildings	6,903	719
Profit on sale of plant and equipment	–	(54)
Legal expenses	1,975	4,659
Employment costs:		
Staff cost (excluding directors' emoluments)	26,051	23,595
Consulting fees	226	789
Auditors' remuneration:		
– Current year fee	617	571
– Prior year under provision	-	110
Retirement benefit contribution		
Defined contribution funds	1,149	1,263
Inventory write down	3,032	–

5. NET FINANCE COSTS

	2010 R'000	2009 R'000
Finance costs		
Interest on bank overdrafts and loans	14,208	31,505
Interest paid to Group companies	1,905	6,949
Interest on obligations under finance leases	3,301	8,045
	19,414	46,499
Finance income		
Interest received from Group companies	14,147	20,131
Income from bank balances	753	228
	14,900	20,359

Details on loans can be found in note 17.

6. EXCEPTIONAL ITEMS

	2010 R'000	2009 R'000
Plant and equipment impaired due to technology migration	–	9,010
Inventory impaired due to technology migration	–	588
Total	–	9,598
Taxation	–	2,687
Net comprehensive income effect	–	12,285

Notes to the Company Annual Financial Statements

for the year ended 31 August 2010

7. TAXATION

	2010 R'000	2009 R'000
Current year		
South African normal taxation		
Current taxation	–	–
Deferred taxation	11,648	(3,722)
Total	11,648	(3,722)
Prior year under provision:		
South African normal taxation		
Deferred taxation	–	1,993
	–	1,993
	11,648	(1,729)

	%	%
The rate of taxation is reconciled as follows:		
Standard corporate taxation rate	28.0	28.0
Exempt income	(14.9)	(33.0)
Disallowable expenditure	1.6	5.0
Prior year adjustments	–	(3.0)
Effective rate	14.7	(3.0)

8. PLANT AND EQUIPMENT

	Carrying value R'000	Accumulated depreciation R'000	Net book value R'000
2010			
Owned assets			
Fixtures, fittings, plant and equipment	4,568	(1,634)	2,934
Computer hardware	17,931	(10,062)	7,869
Network equipment	103,134	(38,143)	64,991
Leasehold improvements	2,458	(589)	1,869
Motor vehicles	137	(25)	112
	128,228	(50,453)	77,775
Capitalised leased assets			
Computer hardware	7,775	(7,775)	–
ADSL phones	29,075	(11,849)	17,226
	36,850	(19,624)	17,226
Total	165,078	(70,077)	95,001
2009			
Owned assets			
Fixtures, fittings, plant and equipment	3,436	(904)	2,532
Computer hardware	16,724	(5,591)	11,133
Network equipment	85,905	(23,572)	62,333
Leasehold improvements	1,141	(221)	920
Motor vehicles	–	–	–
	107,206	(30,288)	76,918
Capitalised leased assets			
Computer hardware	7,775	(7,775)	–
ADSL phones	22,202	(4,216)	17,986
	29,977	(11,991)	17,986
Total	137,183	(42,279)	94,904

Notes to the Company Annual Financial Statements

for the year ended 31 August 2010

8. PLANT AND EQUIPMENT (continued)

	Opening net book value R'000	Additions R'000	Disposals R'000
Reconciliation of plant and equipment:			
2010			
Owned assets			
Fixtures, fittings, plant and equipment	2,532	1,132	–
Computer hardware	11,133	1,346	(120)
Network equipment	62,333	17,509	(1,122)
Leasehold improvements	920	1,318	–
Motor vehicles	–	137	–
	76,918	21,442	(1,242)
Capitalised leased assets			
ADSL phones	17,986	–	–
	17,986	–	–
Total	94,904	21,442	(1,242)
2009			
Owned assets			
Fixtures, fittings, plant and equipment	9,206	1,108	(45)
Computer hardware	17,818	4,092	–
Network equipment	45,509	32,940	–
Leasehold improvements	2,550	1,729	–
Motor vehicles	–	–	–
	75,083	39,869	(45)
Capitalised leased assets			
Computer hardware	3,494	–	–
ADSL phones	–	–	–
Motor vehicles	–	–	–
	3,494	–	–
Total	78,577	39,869	(45)

- The Company has reviewed residual values and useful lives of the assets for reasonability, and no adjustments were required.
- There is no investment property in the Company and all assets are held at historical cost.
- The owned assets and capitalised leased assets are encumbered as detailed in note 17.
- Included in Cost of Sales was R7.6 million (2009: R3.9 million) depreciation relating ADSL phones.

Transfers from inventory R'000	Transfers to inventory R'000	Depreciation R'000	Impairment R'000	Closing net book value R'000
–	–	(730)	–	2,934
–	–	(4,490)	–	7,869
11,194	(2,640)	(22,283)	–	64,991
–	–	(369)	–	1,869
–	–	(25)	–	112
11,194	(2,640)	(27,897)	–	77,775
13,197	(5,655)	(7,633)	(669)	17,226
13,197	(5,655)	(7,633)	(669)	17,226
24,391	(8,295)	(35,530)	(669)	95,001
(7,075)	–	(662)	–	2,532
(6,585)	–	(4,192)	–	11,133
7,645	–	(14,751)	(9,010)	62,333
(3,157)	–	(202)	–	920
–	–	–	–	–
(9,172)	–	(19,807)	(9,010)	76,918
–	–	(3,494)	–	–
21,922	–	(3,936)	–	17,986
–	–	–	–	–
21,922	–	(7,430)	–	17,986
12,750	–	(27,237)	(9,010)	94,904

Notes to the Company Annual Financial Statements

for the year ended 31 August 2010

9. GOODWILL

	2010 R'000	2009 R'000
Cost		
At the beginning of the year	2,838	2,838
At the end of the year	2,838	2,838
The carrying amount of goodwill has been allocated as follows:		
Vox Datapro	2,838	2,838
	2,838	2,838

The Company tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

When testing goodwill for impairment, the recoverable amounts of the CGUs are determined using value-in-use calculations. The key assumptions for the value in use calculations are discount rates, growth rates and expected cash flows. Management estimates discount rates using rates that reflect current market assumptions of the time value of money and the risks specific to the CGUs, the rates range from 17% to 19% (2009: 15% to 17%). The growth rates are based on industry growth forecasts.

The Company prepares cash flow forecasts based on the CGUs budgeted results for the next five years. A terminal value is calculated based on a growth rate of 4% (2009: 4.4%).

As the Company integrates the acquired customers into existing platforms as part of its business model the Company has aggregated the acquired businesses into the core business segments and has used these segments as CGUs for the purpose of performing the value-in-use calculations.

	Vox Datapro
2010	
Based on budgeted forecasts	Yes
Years used in forecast	5
Budgeted capital expenditure to revenue	1.2%
Long term growth rate	4.0%
Discount Rate	17.3%
Turnover growth rate	7.7%
Average GP Margin	27.5%
Average EBITDA to revenue	11.9%
Operating expenses growth rate	9.3%
Effective tax rate	28.0%
2009	
Based on budgeted forecasts	Yes
Years used in forecast	5
Budgeted capital expenditure to revenue	0.1%
Long term growth rate	4.4%
Discount Rate	17.0%
Turnover growth rate	6.2%*
Average GP Margin	25.8%
Average EBITDA to revenue	11.2%
Operating expenses growth rate	10.2%
Effective tax rate	28.0%

* *Growth percentage shown after reallocating wholesale customers to the Vox Core division.*

10. OTHER INTANGIBLES

	Cost/ carrying value R'000	Accumulated amortisation R'000	Net book value R'000
2010			
Computer software – Purchased	15,394	(4,912)	10,482
Computer software – Developed	3,123	(644)	2,479
Customer bases and contracts	11,335	(1,488)	9,847
Total	29,852	(7,044)	22,808
2009			
Computer software – Purchased	4,956	(1,432)	3,524
Computer software – Developed	3,123	(332)	2,791
Customer bases and contracts	11,335	(1,035)	10,300
Total	19,414	(2,799)	16,615

	Opening net book value R'000	Additions R'000	Disposals R'000	Amortisation R'000	Closing net book value R'000
Reconciliation of other intangible assets					
2010					
Computer software – Purchased	3,524	10,464	(24)	(3,482)	10,482
Computer software – Developed	2,791	–	–	(312)	2,479
Customer bases and contracts	10,300	–	–	(453)	9,847
Total	16,615	10,464	(24)	(4,247)	22,808
2009					
Computer software – Purchased	3,550	1,104	–	(1,130)	3,524
Computer software – Developed	1,992	1,071	–	(272)	2,791
Customer bases and contracts	10,753	–	–	(453)	10,300
Total	16,295	2,175	–	(1,855)	16,615

Intangible assets are amortised over the estimated useful life of the asset, which, on average, is 2 to 10 years for computer software and 4% (2009: 4%) for customer bases and contracts.

Notes to the Company Annual Financial Statements

for the year ended 31 August 2010

11. PRINCIPAL SUBSIDIARIES

Details of Vox Telecom's subsidiary companies are as follows:

	No of shares in issue	Place of incorporation and operation	Ownership %	Voting power %	Principal activity	Shares at book value R'000	Indebtedness at cost R'000	Accumulated impairments R'000	Indebtedness at book value R'000
2010									
Name of company									
Direct Holdings of Vox Telecom Limited									
@lantic Internet Services (Pty) Ltd	1,000	South Africa	100	100	Consumer ISP	41,809	48,964	–	48,964
@lantic Exchange Computer Trading (Pty) Ltd	100	South Africa	100	100	Computer hardware & software buying group	–	7,423	3,939	3,484
Vox Datapro (Pty) Ltd	20,000	South Africa	100	100	Corporate ISP	27,456	58,693	-	58,693
Vox Datapro Faxing Solutions (Pty) Ltd t/a "ProFax"	100	South Africa	100	100	Corporate & consumer faxing solutions	–	802	572	230
Vox Products (Pty) Ltd	100	South Africa	100	100	Managed voice services supplier	70,000	17	–	17
Dial Electronics (Pty) Ltd	1,000	South Africa	100	100	Managed voice services supplier	20,000	–	–	–
Orion Telecom Investment Holdings (Pty) Ltd	1,000	South Africa	100	100	Managed voice services supplier	398,126	–	–	–
VoIP Telecorporation (Pty) Ltd	100	South Africa	100	100	Managed voice services supplier	5,000	3,437	–	3,437
Vox Amvia (Pty) Ltd	827,242	South Africa	100	100	Corporate & consumer faxing solutions	43,783	–	–	–
Casey Share Incentive Trust	–	South Africa	100	100	Share incentive administrator	–	16,533	16,533	–
Orion Telecom (Pty) Ltd	100	Namibia	100	100	Managed voice services supplier	4,000	13,419	–	13,419
Storm Telecom (Pty) Ltd	100	South Africa	100	100	Managed voice services supplier	337,478	16,734	–	16,734
Indirect holdings:									
Orion Cellular (Pty) Ltd	1	South Africa	100	100	Managed voice services supplier	–	8,233	–	8,233
Orion Data Services (Pty) Ltd	600,000	South Africa	100	100	Managed voice services supplier	–	–	–	–
Vox Orion (Pty) Ltd	200	South Africa	100	100	Managed voice services supplier	–	–	–	–
Orion Telecom Corporation (Pty) Ltd	100	South Africa	100	100	Managed voice services supplier	–	–	–	–
Dormant companies:									
Casey Business Solutions (Pty) Ltd	100	South Africa	100	100		–	12,155	11,605	550
Casey Business Solutions (Cape) (Pty) Ltd	100	South Africa	100	100		–	880	880	–
Casey Business Solutions (KZN) (Pty) Ltd	100	South Africa	100	100		–	773	773	–
Casey Consulting (Pty) Ltd	100	South Africa	100	100		–	292	292	–
Casey Onsite (Pty) Ltd	100	South Africa	100	100		–	–	–	–
Caseynet (Pty) Ltd	100	South Africa	100	100		–	166	143	23
Micro Matrix (Pty) Ltd	100	South Africa	100	100		–	751	751	–
Northern Jungle Trading 121 (Pty) Ltd (aka BizCall)	200	South Africa	100	100		1,295	218	218	–
Vox Telecom Sales (Pty) Ltd	100	South Africa	100	100		–	–	–	–
						948,947	189,490	35,706	153 784
Disclosed as follows:									
Loans to Group companies									102,799
Included in trade and other receivables									(20,573)
Included in trade and other payables									71,558
									153,784

The loans to Group companies carry interest at prime overdraft rates and have no fixed terms of repayment.

11. PRINCIPAL SUBSIDIARIES (continued)

	No of shares in issue	Place of incorporation and operation	Ownership %	Voting power %	Principal activity	Shares at book value R'000	Indebtedness at cost R'000	Accumulated impairments R'000	Indebtedness at book value R'000
2009									
Name of company									
Direct Holdings of Vox Telecom Limited									
@lantic Internet Services (Pty) Ltd	1,000	South Africa	100	100	Consumer ISP	41,809	74,137	–	74,137
@lantic Exchange Computer Trading (Pty) Ltd	100	South Africa	100	100	Computer hardware & software buying	–	6,847	3,939	2,908
Vox Datapro (Pty) Ltd	20,000	South Africa	100	100	Corporate ISP	27,456	59,911	–	59,911
Vox Datapro Faxing Solutions (Pty) Ltd t/a "ProFax"	100	South Africa	100	100	Corporate & consumer faxing solutions	–	572	572	–
Vox Products (Pty) Ltd	100	South Africa	100	100	Managed voice services supplier	70,000	888	–	888
Dial Electronics (Pty) Ltd	1,000	South Africa	100	100	Managed voice services supplier	20,000	–	–	–
Vox Orion Telecom Investment Holdings (Pty) Ltd	1,000	South Africa	100	100	Managed voice services supplier	398,126	–	–	–
VoIP Telecorporation (Pty) Ltd	100	South Africa	100	100	Managed voice services supplier	5,000	5,352	–	5,352
Vox Amvia (Pty) Ltd	827,242	South Africa	100	100	Corporate & consumer faxing solutions	43,783	2,029	–	2,029
STWS (UK) Ltd *	223,861	United Kingdom	100	100	Managed voice services supplier	377,213	–	–	–
Casey Share Incentive Trust	–	South Africa	100	100	Share incentive administrator	–	16,533	16,533	–
Orion Telecom (Pty) Ltd	100	Namibia	100	100	Managed voice services supplier	4,000	14,800	–	14,800
Indirect holdings:									
Orion Cellular (Pty) Ltd	1	South Africa	100	100	Managed voice services supplier	–	–	–	–
Orion Data Services (Pty) Ltd	600,000	South Africa	100	100	Managed voice services supplier	–	–	–	–
Vox Orion (Pty) Ltd	200	South Africa	100	100	Managed voice services supplier	–	–	–	–
Orion Telecom Corporation (Pty) Ltd	100	South Africa	100	100	Managed voice services supplier	–	–	–	–
Storm Telecom (Pty) Ltd	100	South Africa	100	100	Managed voice services supplier	–	–	–	–
Dormant companies:									
Casey Business Solutions (Pty) Ltd	100	South Africa	100	100		–	11,588	11,588	–
Casey Business Solutions (Cape) (Pty) Ltd	100	South Africa	100	100		–	880	880	–
Casey Business Solutions (KZN) (Pty) Ltd	100	South Africa	100	100		–	773	773	–
Casey Consulting (Pty) Ltd	100	South Africa	100	100		–	292	292	–
Casey Onsite (Pty) Ltd	100	South Africa	100	100		–	–	–	–
Caseynet (Pty) Ltd	100	South Africa	100	100		–	143	143	–
Micro Matrix (Pty) Ltd	100	South Africa	100	100		–	768	768	–
Northern Jungle Trading 121 (Pty) Ltd (aka BizCall)	200	South Africa	100	100		1,295	218	218	–
Orion Telecom Consulting (Pty) Ltd	1	South Africa	100	100		–	–	–	–
Madalatrade (Pty) Ltd	100	South Africa	100	100		–	–	–	–
Vox Telecom Sales (Pty) Ltd	100	South Africa	100	100		–	–	–	–
						988,682	195,731	35,706	160,025

* *STWS was deregistered 1 September 2009.*

Notes to the Company Annual Financial Statements

for the year ended 31 August 2010

12. DEFERRED TAXATION

	2010 R'000	2009 R'000
Plant and equipment	(12,091)	(9,802)
Provisions and accruals	5,419	–
Prepaid expenditure	(284)	–
Finance lease liability	1,090	6,473
Estimated tax losses	8,836	18,084
Intangible assets	(2,829)	(2,966)
Net asset at the end of the year	141	11,789
Deferred taxation balances are presented in the statement of financial position as follows:		
Deferred taxation assets	141	11,789
	141	11,789
Reconciliation of the deferred taxation		
At the beginning of the year	11,789	10,060
Originating temporary differences on plant and equipment	(2,289)	(9,802)
Originating temporary differences on provisions and accruals	5,419	–
Originating temporary differences on prepaid expenditure	(284)	–
(Reversing) originating temporary differences on estimated tax losses available for offset against future taxable income	(9,248)	4,903
Originating temporary differences on intangible assets	137	155
(Reversing) originating temporary differences on finance lease liability	(5,383)	6,473
Total	141	11,789

13. INVENTORIES

	2010 R'000	2009 R'000
Voice installation equipment	11,250	25,935
ADSL phones	8,349	–
Consumables	303	417
Provision for obsolete inventory	(2,313)	–
Total inventory	17,589	26,352
Inventory write-offs for the current period	3,032	588

Inventories are carried at the lower of cost or net realisable value and are encumbered in terms of the medium-term loan disclosed in note 17.

14. TRADE AND OTHER RECEIVABLES

	2010 R'000	2009 R'000
Trade receivables	16,446	7,633
Allowance for doubtful debts	(2,973)	(914)
	13,473	6,719
Prepayments	1,016	555
Receivables from Group companies	71,558	–
Accrued income (unbilled LCR charges)	2,866	–
Other	1,110	699
	90,023	7,973
Movement in allowance for doubtful debts		
Balance at the beginning of the year	914	–
Increase in allowance recognised in profit or loss	2,059	1,093
Bad debts written off	–	(179)
Balance at the end of the year	2,973	914

The Company's policy is to provide fully for those customers who have outstanding balances significantly beyond terms or have otherwise been identified as non-recoverable. The historic experience of non-recoverability of accounts receivable balances for the company is low. In the current year the Company wrote off Rnil (2009: R0.2m) of bad debts. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly the directors believe that no further provision is required in excess of the allowance for doubtful debts.

The receivables are encumbered in terms of the medium term loan, refer to note 17.

Notes to the Company Annual Financial Statements

for the year ended 31 August 2010

15. ISSUED CAPITAL

	Share capital		Share premium	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
Authorised				
2,000,000,000 (2009: 2,000,000,000) ordinary shares of 0.1 cent each	2,000	2,000	–	–
Issued				
1,108,500,699 (2009: 1,108,500,699) ordinary shares of 0.1 cent each	1,109	1,109	1,018,876	1,018,876

	Number of shares R'000	Share capital R'000	Share premium R'000
Ordinary shares			
2009			
Balance at the beginning of the previous year	1,101,328	1,101	1,002,384
Shares issued during the year	7,174	8	16,492
Ordinary shares issued – August 2009	1,108,502	1,109	1,018,876
2010			
Ordinary shares issued – August 2010	1,108,502	1,109	1,018,876

Ordinary shares, which have a par value of 0,1 cent carry one vote per share and carry the right to receive dividends.

The unissued ordinary shares are placed under the control of the shareholders of the Group until the next annual general meeting of the Group.

Share options granted under the employee share option plan

In 2009 the Vox Telecom Limited 2009 Share Plan was approved.

16. RESERVES

	Share-based payment reserve R'000
2010	
Opening balance	9,606
Share-based payment expense on the Vox Telecom Limited 2009 Share Plan	4,523
Closing balance	14,129
2009	
Opening balance	6,396
Share-based payment expense on Casey Share Incentive Scheme	3,198
Share-based payment expense on the Vox Telecom Limited 2009 Share Plan	12
Closing balance	9,606

The share-based payment reserve arises from the grant of share options to employees under two different share option plans, namely the Casey Share Incentive Scheme and the Vox Telecom Limited 2009 Share Plan. The share-based payment valuation was performed by independent experts for all periods. The Casey Share Incentive Scheme is equity-settled and the Vox Telecom Limited 2009 Share Plan is likely to be equity settled although the Company has the option to cash settle.

17. NON-CURRENT BORROWINGS

	2010 R'000	2009 R'000
Interest-bearing		
Secured		
Medium-term bank loan	102,261	162,922
Less: Included in current liabilities	(66,493)	(58,318)
	35,768	104,604
Capitalised finance leases	13,976	23,116
Less: Included in current liabilities	(12,691)	(9,969)
	1,285	13,147
Unsecured		
Working capital facility	–	14,778
Less: Included in current liabilities	–	(2,389)
	–	12,389
Total non-current interest bearing liabilities	37,053	130,140
Total current liabilities	79,184	70,677

The medium-term bank loan, raised on 15 February 2007 with Investec Bank Limited, is repayable in quarterly instalments over five years with a capital repayment holiday for the first two quarters, commencing on 15 November 2007. The loan attracts interest at a floating rate linked to the ninety-day JIBAR plus 3.05%. The loan is secured by intra-group cross suretyships, a general notarial bond to the value of R60.0 million registered over all the assets of the Group companies, the subordination of Group company claims in favour of Investec Bank Limited and the cession of the Group's right, title and interest in all insurance policies, shares and claims, accounts receivable balances and cash balances or deposits to secure its obligation in terms of the loan.

The short-term bank loan of R40.5 million in 2008 was raised on 4 December 2007 with Investec Bank Limited. On 18 November 2008, the short-term bank loan was converted to the three year medium-term loan under terms and conditions similar to the existing medium-term bank loans and is repayable in quarterly instalments over 3 years. The loan attracts interest at a floating rate linked to the ninety-day JIBAR plus 3.05%. The loan is secured as with the medium-term loan above.

Capitalised finance leases relates to computer equipment, inventory and ADSL phones and are repayable in monthly or quarterly instalments varying from one to three years at varying interest rates, some linked to the prime overdraft rate and some fixed at 11%. The capitalised finance leases are secured by moveable assets with a book value of R25.7 million (2009: R31.0 million).

Notes to the Company Annual Financial Statements

for the year ended 31 August 2010

17. NON-CURRENT BORROWINGS (continued)

	Repayable within 1 year R'000	Repayable in 2 – 5 years R'000	Repayable after 5 years R'000	Total R'000
2010				
Medium-term bank loans				
Amount owing	73,857	36,929	–	110,786
Less: Future finance charges	(7,364)	(1,161)	–	(8,525)
Present value of obligations	66,493	35,768	–	102,261
Capitalised finance leases				
Amount owing	13,543	1,375	–	14,918
Less: Future finance charges	(852)	(90)	–	(942)
Present value of obligations	12,691	1,285	–	13,976
Total	79,184	37,053	–	116,237
2009				
Medium-term bank loans				
Amount owing	77,390	116,087	–	193,477
Less: Future finance charges	(19,072)	(11,483)	–	(30,555)
Present value of obligations	58,318	104,604	–	162,922
Capitalised finance leases				
Amount owing	12,442	25,754	–	38,196
Less: Future finance charges	(2,472)	(12,608)	–	(15,080)
Present value of obligations	9,970	13,146	–	23,116
Working capital facility				
Amount owing	14,778	–	–	14,778
Less: Future finance charges	(2,389)	–	–	(2,389)
Present value of obligations	12,389	–	–	12,389
Total	80,677	117,750	–	198,427

18. LOANS FROM GROUP COMPANIES

	2010 R'000	2009 R'000
Storm Telecom (Proprietary) Limited	–	24,329
Orion Telecom SA (Proprietary) Limited	27,657	3,148
Casey Onsite (Proprietary) Limited	1,934	1,934
Dial Electronics (Proprietary) Limited	182	164
Vox Amvia (Proprietary) Limited	4,815	–
	34,588	29,575

These loans carry interest at prime overdraft rates and are repayable 30 days from date of statement.

19. TRADE AND OTHER PAYABLES

	2010 R'000	2009 R'000
Trade payables	39,970	37,032
Payables to Group companies	20,573	–
Bandwidth accrual	5,357	12,860
VAT liability	5,569	3,345
Accruals	3,919	1,205
Leave pay accrual	1,306	1,053
Other	1,734	1,440
	78,428	56,935

The average credit term is 30 days. No interest is charged.

Notes to the Company Annual Financial Statements

for the year ended 31 August 2010

20. PROVISIONS

	2010 R'000	2009 R'000
Operating provisions and disputes	10,651	4,198
Bonuses	6,950	2,493
	17,601	6,691

	Opening balance R'000	Amounts released or utilised R'000	Amounts provided R'000	Closing balance R'000
Reconciliation of provisions – 2010				
Operating provisions and disputes	4,198	(1,362)	7,815	10,651
Bonuses	2,493	(2,601)	7,058	6,950
	6,691	(3,963)	14,873	17,601
Reconciliation of provisions – 2009				
Operating provisions and disputes	–	–	4,198	4,198
Bonuses	2,232	(1,386)	1,647	2,493
	2,232	(1,386)	5,845	6,691

Operating provisions and disputes – this relates to the estimated future outflow resulting from contract changes required by the service providers.

Bonuses – this is a best estimate of the constructive obligation to all staff based on approved compensation plans.

21. COMMITMENTS

	2010 R'000	2009 R'000
Commitments in respect of capital expenditure approved by directors:		
Contracted for	21,690	13,355
Not contracted for	54,153	37,206
	75,843	50,561

Commitments include the anticipated capital expenditure on the network infrastructure that will be spent on an incremental basis that is predominantly upgrades to the IP network.

Commitments will be funded from cash flows generated internally from operations and third party funding where necessary.

22. CONTINGENT LIABILITIES AND GUARANTEES

	2010 R'000	2009 R'000
Contingent liabilities		
Network operators	5,518	–
Guarantees		
Network operators	1,000	8,000
Other	838	1

The Company has provided bank guarantees for R1.0 million (2009: R8.0 million) held by its bankers.

Dealstream

The liquidators have confirmed the Company's claim, however, legal counsel for the Company have indicated that any liquidation dividend for proven claims is remote. There is no further exposure to the Company or the employees. The Company may continue to incur legal expenses as a result of interaction with the liquidator, which will be expensed in full as incurred.

23. RELATED-PARTY TRANSACTIONS

These transactions occurred at arms length. Details of transactions between the Company and other related parties are disclosed below:

Relationships:

Subsidiaries	Refer to note 11 for details on subsidiaries.
Shareholders	Lereko Metier Capital Growth Fund, its managers or affiliated entities
	Rand Merchant Bank a division of FirstRand Bank Limited (RMB)
Directors	Refer to Note 27 in the consolidated financial statements for details on directors

The remuneration of directors is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

Other related party transactions:

A working capital facility was outstanding from Lereko Metier Capital Growth Fund of R12.4 million in 2009. This loan was fully repaid and there is no outstanding balance as at 31 August 2010. The loan had no fixed repayment terms and bore interest at prime rate plus 3%.

No interest was received by the Company from RMB during 2010 (2009: Rnil).

	2010 R'000	2009 R'000
Revenue generated from group companies		
Sale of Services		
DataPro	340,424	321,032
Orion Cellular	63,945	54,955
Orion South Africa	–	329
Voip Telecom	35	67
Atlantic Exchange	118	81
Profax	–	–
@lantic	57,485	54,740
Vox Products	–	1,453
Vox Amvia	2,637	–
Storm	–	–
System rentals		
Datapro	–	893
Other income		
DataPro	21,915	16,222
Orion South Africa	7,772	1,885
Orion Telecom Investment Holdings	–	–
Storm	–	–
Vox Amvia	234	–
@lantic	704	–

Notes to the Company Annual Financial Statements

for the year ended 31 August 2010

24. NOTES TO THE STATEMENT OF CASH FLOWS

	2010 R'000	2009 R'000
24.1 Cash flow from trading		
Profit before taxation	79,083	69,356
Adjustment for:	–	
Depreciation and amortisation	39,777	29,092
Impairment of PPE	669	9,010
Impairment of inventory	3,032	588
Net profit on disposal of property, plant and equipment	–	(54)
Net finance costs	4,514	26,140
Share-based payment expense	4,523	3,210
Other non cash movements	(1)	–
	131,597	137,340
24.2 Working capital movements		
(Increase) decrease in inventories	(10,365)	5,875
Increase in trade receivables and prepayments	(82,050)	(4,125)
Increase in trade payables and provisions	32,403	37,520
	(60,012)	39,272
24.3 Taxation paid		
Normal taxation:		
Amounts receivable at the end of the year	(1,285)	–
	(1,285)	–
24.4 Non-cash items that did not result in cash movement		
Settlement of Vox Amvia vendor loans through issue of shares	–	16,500
Net transfers from inventories to plant and equipment	16,096	–
Deregistration dividend from STWS settled through Group loans	39,736	–
	55,832	16,500
24.5 Cash and cash equivalents at year end		
Cash on hand and balances with banks	55,113	182
Cash and cash equivalents at year end	55,113	182

25. FINANCIAL INSTRUMENTS

25.1 Capital risk management

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances.

The capital structure of the Group consists of debt, more specifically medium-term interest-bearing debt, and equity attributable to equity holders of the parent, comprising share capital, share premium, reserves and retained earnings.

The Board reviews the capital structure at each committee meeting. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the Group will balance its overall capital structure through the issue of new share issues or the issue of new debt alternatively through the buy-back of shares or the redemption of existing debt.

	2010 R'000	2009 R'000
Debt	116,237	198,427
Cash and cash equivalents	(55,113)	(182)
Net debt	61,124	198,245
Equity	1,089,690	1,017,732
Total capital	1,150,814	1,215,977
Debt/Equity Ratio	11%	19%

The statement of financial position remains relatively ungeared with the current debt to equity ratio calculated at 11% (2009: 19%). Although it is possible that further debt could be raised to fund acquisitions and expansion if required, it seems unlikely given the high interest rate environment and the focus of the Group to reduce debt levels.

25.2 Categories of financial instruments

Fair values of financial instruments

All financial instruments have been classified according to the relevant IAS 39 Financial Instruments: Recognition and Measurement category. There is no difference between their fair value and carrying value and they are accounted for as follows:

Financial assets

Trade receivables and other
These are held at amortised cost less any impairment losses recognised to reflect irrecoverable amounts.

Financial liabilities

All financial liabilities are held as non-trading liabilities and are shown at amortised cost.

Financial risk management

Market risk is the risk that the fair value of cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, credit risk, liquidity risk and cash flow interest rate risk.

The Group's head office provides a corporate treasury function to the business, co-ordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Group through internal management meetings which analyse exposures by degree and magnitude of risks.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. Foreign exposure risk are limited and should this increase in the future the use of foreign exchange contacts will be considered. The corporate treasury function reports to the Audit Committee at each meeting. Based on the advice of the Audit Committee, management implements policies to mitigate risk exposure.

Notes to the Company Annual Financial Statements

for the year ended 31 August 2010

25. FINANCIAL INSTRUMENTS (continued)

25.3 Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group does not enter into any form of derivative financial instruments to manage its exposure to interest rate and foreign currency risk at this stage as the risk is deemed negligible.

25.3.1 Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. This risk is however deemed negligible as the group does not engage in material foreign transactions. As a result, exchange rate exposures are not managed by utilising forward foreign exchange contracts.

Foreign exchange rates used to convert to Rands at 31 August:

	2010	2009
Euro	9.32	11.25
USD	7.34	7.80
GBP	11.38	12.70

The folowing information relates to open contracts:

	2010	2009
USD amounts ($'000)	1.420	–
Exchange rates varying from R/USD	7.41 – 8.06	–
Local currency amounts to be paid (R'000)	11.285	–

At year end, the settlement dates for any open buy forward exchange contracts ranged between 1 month and 11 months (2009: None).

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	2010 R'000	2009 R'000
Receivables		
Euro	–	–
US Dollar (USD)	–	4
Pound Sterling (GBP)	10	10
	10	14

25. FINANCIAL INSTRUMENTS (continued)

	2010 R'000	2009 R'000
Payables		
Euro	7	37
US Dollar	300	807
Pound Sterling	73	29
	380	873
Cash balances		
US Dollar	465	–
Pound Sterling	10	22
	475	22

Foreign currency sensitivity analysis

The following is a sensitivity analysis of foreign currencies based on a 10% increase from the rate used at year end. The 10% variation is based on management's assessment of a reasonably possible change in exchange rates. The analysis includes accounts payable, receivable and cash balances held in foreign currency with positive amounts denoting an increase in profit.

	2010 R'000 Euro impact	2009 R'000 Euro impact
Variation		
Payables	(1)	–
	(1)	–

	USD impact	USD impact
Variation		
Receivables	–	–
Payables	(30)	(2)
Cash balances	47	–
Open FECs	176	–
	193	(2)

	GBP impact	GBP impact
Variation		
Receivables	(7)	(3)
Payables	1	1
Cash balances	1	1
	(5)	(1)

The Company's sensitivity to foreign currency exposures has remained stable up until 31 August 2010. The Company's exposure to foreign currencies is limited and is not expected to increase disproportionately in the year ahead.

Given the uncertainty and instability in world economies and the volatility in the Rand to foreign currencies since 31 August 2010 these exposures are being carefully monitored and the use of forward exchange contracts will be considered if deemed necessary in the future.

Notes to the Company Annual Financial Statements

for the year ended 31 August 2010

25. FINANCIAL INSTRUMENTS (continued)

25.3.2 Interest rate risk management

The Group is exposed to interest rate risk as it has borrowed sums of money at floating rates. The Group does not have an official policy on managing floating rate risk but considers the need to hedge this risk on a loan by loan basis. The interest-bearing funding requirements and the investment of surplus cash funds are managed by the Group through its own commercial bank facilities.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 100 basis point increase (2009: decrease) is used as management believes this is a reasonable amount of interest rate variance in the current economic climate.

	2010 R'000	2009 R'000
Medium-Term Bank Loan	(884)	1,629
Capitalised finance leases	(205)	231
	(1,089)	1,860

The Group sensitivity to interest rate risk is expected to diminish in the year ahead with the anticipated decrease in interest rates. The Group is not anticipating to raise additional funding by way of debt in the year ahead.

25.4 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure is continuously monitored with reports of long overdue amounts and the breakdown of customer sales reviewed by top management monthly.

Trade accounts receivable consist primarily of a large, widespread customer base. Group companies regularly monitor the financial position of their customers. Where considered appropriate, credit guarantee insurance is used. The granting of credit is controlled by application and account limits. Provision is made for both specific bad debts, as well as portfolio exposure and at year end management did not consider there to be any material credit risk exposure that was not already covered by credit guarantee insurance or doubtful debt provisions. Below the five biggest customers are disclosed:

	Credit Limit 2010 R'000	Carrying Amount 2010 R'000	Credit Limit 2009 R'000	Carrying Amount 2009 R'000
Customer 1	10,000	7,310	2,500	2,419
Customer 2	500	376	300	404
Customer 3	250	111	300	123
Customer 4	100	42	250	67
Customer 5	50	35	250	159

25. FINANCIAL INSTRUMENTS (continued)

The following tables represent information about the credit quality of financial assets and related provisions that are neither passed due nor impaired as well as financial assets that are passed due or impaired and the movement in the allowance for doubtful debt.

	2010 R'000	2009 R'000
Ageing of trade debtors		
Not past due	12,837	6,244
Past due 0 – 30 days	900	488
Past due 31 – 120 days	1,138	300
Past due 121 – 360 days	1,031	601
Past due more than 1 year	540	–
	16,446	7,633
Movement in allowance for doubtful debt		
Opening balance	914	–
Amounts written off during year	–	(179)
Amounts recovered during year	–	–
Increase in allowance recognised in income	2,059	1,093
	2,973	914
Ageing of provision for doubtful debtors		
Not past due	–	57
Past due 0 – 30 days	316	4
Past due 31 – 120 days	1,090	252
Past due 121 – 360 days	1,027	601
Past due more than 1 year	540	–
	2,973	914

25.5 Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board, which is assessed on an ongoing basis for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. No significant risk exists as the Group is conservatively structured and the operations generate positive cash flows. The Company has a cash balance of R55.1 million (2009: R0.1 million).

Notes to the Company Annual Financial Statements

for the year ended 31 August 2010

25. FINANCIAL INSTRUMENTS (continued)

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	2010 R'000	2009 R'000
Interest and non-interest bearing		
Medium-term bank loans		
Less than 1 month	–	–
1 – 3 months	18,464	19,347
3 months to 1 year	55,393	58,043
1 – 5 years	36,929	116,087
5+ years	–	–
	110,786	193,477
Capitalised finance leases		
Less than 1 month	957	1,037
1 – 3 months	2,952	2,074
3 months to 1 year	9,634	9,331
1 – 5 years	1,375	25,753
5+ years	–	–
	14,918	38,195
Working capital facility		
Less than 1 month	–	2,398
1 – 3 months	–	5,000
3 months to 1 year	–	7,380
1 – 5 years	–	–
5+ years	–	–
	–	14,778
Total		
Less than 1 month	957	3,435
1 – 3 months	21,416	26,421
3 months to 1 year	65,027	74,754
1 – 5 years	38,304	141,840
5+ years	–	–
	125,704	246,450

Analysis of shareholders

as at 31 August 2010

SHAREHOLDERS HOLDING MORE THAN 5%

Shareholder	% Holding	Number of Shares
Lereko Metier Capital Growth Fund	24.84%	275,396,137
Rand Merchant Bank	23.44%	259,819,700
Mvelaphanda Group	12.40%	137,500,000
Public Investment Corporation	8.12%	90,000,000
Total	68.81%	762,715,837

SHAREHOLDERS ANALYSIS AND INFORMATION

	% Holding	Number of Shareholders	Number of Shares
Individuals	11.75%	3,004	130,291,763
Nominees and trusts	5.35%	158	59,298,913
Close corporations	0.27%	42	2,993,547
Companies and financial institutions	82.63%	99	915,916,476
Total	100.00%	3,303	1,108,500,699

Size of Shareholding	% Holding	Number of Shareholders	Number of Shares
1 – 1,000	0.03%	524	298,890
1,001 – 10,000	0.61%	1,316	6,706,865
10,001 – 100,000	4.00%	1,155	44,312,623
100,001 – 1,000,000	6.25%	268	69,285,395
1,000,001 and over	89.12%	40	987,896,926
Total	100.00%	3,303	1,108,500,699

CATEGORISATION OF SHAREHOLDERS

PUBLIC VS NON-PUBLIC AS AT 31 AUGUST 2010

	% Holding	Number of Shareholders	Number of Shares
Non Public			
Shareholders holding more than 10% of total issued capital			
Lereko Metier Capital Growth Fund	24.84%	1	275,396,137
Rand Merchant Bank	23.44%	1	259,819,700
Mvelaphanda Group	12.40%	1	137,500,000
Directors of the Company	1.05%	1	11,660,377
Public	38.26%	3,299	424,124,485
Total	100.00%	3,303	1,108,500,699

Notice of Annual General Meeting

for the year ended 31 August 2010

VOX TELECOM LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1998/016433/06)
("Vox Telecom" or "the Company")
JSE code: VOX
ISIN code: ZAE000097234

NOTICE OF ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF THE COMPANY

Notice is hereby given that the annual general meeting of shareholders of the company will be held at the Everest Auditorium, Vox Telecom, Block B2, Rutherford Estate, 1 Scott Street, Waverley, 2090 at 10h00 on Tuesday, 22 February 2011 to consider, and if deemed fit, to pass, with or without modifications, the following ordinary resolutions:

1. ORDINARY RESOLUTION NUMBER 1 – ANNUAL FINANCIAL STATEMENTS

"RESOLVED THAT the annual financial statements of the company and its subsidiaries for the period ended 31 August 2010, together with the directors' and auditors' reports thereon be received, considered and adopted."

2. ORDINARY RESOLUTION NUMBER 2 – DIRECTOR APPOINTMENT – GJ KOEN

"RESOLVED THAT the appointment of Mr GJ Koen be and is hereby ratified."

Mr Koen's curriculum vitae is attached to this notice of Annual General Meeting.

3. ORDINARY RESOLUTION NUMBER 3 – ALTERNATE DIRECTOR APPOINTMENT – AD VAN ZYL

"RESOLVED THAT the appointment of Mr AD van Zyl as alternate director to RT Dalais be and is hereby ratified."

Mr van Zyl's curriculum vitae is attached to this notice of Annual General Meeting.

4. ORDINARY RESOLUTION NUMBER 4 – DIRECTOR RETIREMENT AND ELIGIBLE FOR RE-ELECTION – PG JOUBERT

"RESOLVED THAT PG Joubert, who retires in accordance with the provisions of the company's articles of association, but being eligible, offers himself for re-election, be and is hereby re-elected as a director of the company."

Mr Joubert's curriculum vitae is attached to this notice of Annual General Meeting.

5. ORDINARY RESOLUTION NUMBER 5 – DIRECTOR RETIREMENT AND ELIGIBLE FOR RE-ELECTION – D WALLACE

"RESOLVED THAT D Wallace, who retires in accordance with the provisions of the company's articles of association, but being eligible, offers himself for re-election, be and is hereby re-elected as a director of the company."

Mr Wallace's curriculum vitae is attached to this notice of Annual General Meeting.

6. ORDINARY RESOLUTION NUMBER 6 – DIRECTOR RETIREMENT AND ELIGIBLE FOR RE-ELECTION – DG REED

"RESOLVED THAT DG Reed, who retires in accordance with the provisions of the company's articles of association, but being eligible, offers himself for re-election, be and is hereby re-elected as a director of the company."

Mr Reed's curriculum vitae is attached to this notice of Annual General Meeting.

7. ORDINARY RESOLUTION NUMBER 7 – AUDITORS APPOINTMENT AND REMUNERATION

"RESOLVED THAT the re- appointment of Deloitte & Touche (Registered Auditors) as the auditors of the company be and is hereby approved and that the directors be and are hereby authorised to determine the remuneration of the auditors."

8. ORDINARY RESOLUTION NUMBER 8 – DIRECTORS REMUNERATION

"RESOLVED THAT the directors' remuneration for the past financial year be approved."

9. SPECIAL RESOLUTION NUMBER 1 – GENERAL AUTHORITY TO REPURCHASE SHARES

"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 Company and/or its subsidiaries be and is hereby authorised, by way of general authority, to acquire ordinary shares issued by the Company in terms of Sections 85(2), 85(3) and 89 of the Act, paragraph 41.6 of the Company's Articles of Association and in terms of the JSE Listing Requirements, being that:

- any such acquisition of ordinary shares shall be implemented through the order book operated by the JSE and done without any prior understanding or arrangement between the Company and/or its relevant subsidiaries and the counter party;
- this general authority shall only be valid until the Company's next annual general meeting, provided that it shall not extend beyond 15 months from the date of the passing of this special resolution;
- an announcement will be published on SENS as soon as the Company has acquired ordinary shares constituting, on a cumulative basis, 3% of the number of ordinary shares in issue prior to the acquisition, pursuant to which the aforesaid 3% threshold is reached, containing full details of such repurchases;
- acquisitions in the aggregate in any one financial year by the Company may not exceed 15% of the Company's ordinary issued share capital nor may acquisitions in the aggregate in any one financial year by any subsidiaries exceed 10% of the Company's ordinary issued share capital;
- in determining the price at which ordinary shares issued by the Company are acquired by it in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% of the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the five business days immediately preceding the date of repurchase of such ordinary shares by the Company;
- at any point in time, the Company will only appoint one agent to effect any repurchase(s) on the Company's behalf;
- the Company may not enter into the market to proceed with the repurchase of its shares until the Company's Designated Advisor has confirmed the adequacy of the Company's working capital for the purpose of undertaking a repurchase of securities in writing to the JSE; and
- the Company or its subsidiaries will not repurchase securities during a prohibited period in accordance with JSE Listings Requirements."

REASON AND EFFECT OF SPECIAL RESOLUTION NUMBER 1

The reason for this special resolution is to grant the Company a general authority in terms of the Act for the acquisition by the Company or any of its subsidiaries of shares issued by the Company, which authority shall be valid until the earlier of the next annual general meeting of the company or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the Company, provided that the general authority shall not extend beyond 15 (fifteen) months from the date of the passing of this special resolution. A repurchase of shares is not contemplated at the date of this notice. However, the board believes it to be in the interest of the company that shareholders grant the general authority to provide the board with optimum flexibility to repurchase shares as and when an opportunity that is in the best interest of the company arises.

Notice of Annual General Meeting

for the year ended 31 August 2010

10. ORDINARY RESOLUTION NUMBER 9 – GRANTING DIRECTORS AND/OR COMPANY SECRETARY GENERAL AUTHORITY TO IMPLEMENT THE AFORE MENTIONED RESOLUTIONS

Resolved that the directors of the Company and/or the Company secretary be and are hereby authorised to do all such things and sign all documents and take all such action as they consider necessary to give effect to and implement the resolutions set out in this notice convening this annual general meeting.

LITIGATION STATEMENT

The directors, whose names appear under board of directors on page 93 of the annual report of which this notice forms part, confirm that there are legal and arbitration proceedings which could have a material effect on the Group's financial position. The Board believes they have made sufficient provision for any potential successful claims against the Group.

The Company is aware of an investigation by the Financial Services Board (FSB) into the trading of the shares of the Company. This investigation was initiated by the FSB after the collape of Dealstream Securities in September 2008 and has not yet been resolved.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names appear under board of directors on page 93 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all necessary information.

Material changes

Other than the facts and developments reported on in this annual report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the audit report and up to the date of this notice.

Statement by the Board of directors of the Company

Pursuant to, and in terms of, the JSE Listings Requirements, the board of directors of the Company hereby state that:

(a) in determining the method by which the Company intends to repurchase its securities in respect of Special Resolution Number 1, the maximum number of securities to be repurchased and the date on which such repurchase will take place, the directors of the Company will ensure that:

- the company and its subsidiaries will, after the repurchase, be able to pay their debts as they become due in the ordinary course of business for the next 12 (twelve) months after the date of notice of this annual general meeting;
- the consolidated assets of the Company and its subsidiaries fairly valued and recognised and measured in accordance with the accounting policies used in the latest audited financial statements, will, after the repurchase, be in excess of the consolidated liabilities of the Company and its subsidiaries for the next 12 (twelve) months after the date of this notice of the annual general meeting;
- the issued share capital and reserves of the Company and its subsidiaries will, after the repurchase, be adequate for the ordinary business purposes of the Company and its subsidiaries for the next 12 (twelve) months after the date of notice of this annual general meeting; and
- the working capital available to the Company and its subsidiaries will, after the repurchase, be sufficient for the ordinary business requirements of the Company and its subsidiaries for the next 12 (twelve) months after the date of this notice of annual general meeting.

(b) should a share repurchase in terms of the general authority sought be contemplated by the directors, the written assurance by the Company's Designated Adviser in respect of the Company's working capital shall be furnished by the Company's Designated Adviser, by way of a letter to the Issuer Services Department of the JSE Limited, prior to the Company entering the market to commence any share repurchases.

VOTING AND PROXIES

Certificated shareholders and dematerialised shareholders with "own name" registration

If you are unable to attend the annual general meeting of Vox Telecom shareholders to be held at the Everest Auditorium, Vox Telecom, Block B2, Rutherford Estate, 1 Scott Street, Waverley 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, namely Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) so as to be received by them by no later than 10h00 on Friday, 18th February 2011.

Dematerialised shareholders, other than those with "own name" registration

If you hold dematerialised shares in Vox Telecom through a CSDP or broker and do not have an "own name" registration, you must timeously advise your CSDP or broker of your intention to attend and vote at the annual general meeting or be represented by proxy thereat in order for your CSDP or broker to provide you with the necessary authorisation to do so, or should you not wish to attend the annual general meeting in person, you must timeously provide your CSDP or broker with your voting instruction in order for the CSDP or broker to vote in accordance with your instruction at the annual general meeting.

Each shareholder, whether present in person or represented by proxy, is entitled to attend and vote at the annual general meeting. On a show of hands every shareholder who is present in person or by proxy shall have one vote, and, on a poll, every shareholder present in person or by proxy shall have one vote for each share held by him/her.

A form of proxy (white) which sets out the relevant instructions for use is attached for those shareholders who wish to be represented at the annual general meeting of shareholders. Duly completed forms of proxy must be lodged with the transfer secretaries of the company to be received by not later than 10h00 on Friday, 18 February 2011.

By order of the Board.

GJ Koen
Company Secretary

24 November 2010

Abridged CVs

for the year ended 31 August 2010

MR. GERT KOEN, BAcc (Hons), CA (SA), obtained his BAcc (Hons) degree through the University of Stellenbosch in 2000 and completed his articles with Greenwoods Chartered Accountants, during which time he managed the audit of Vox Orion (Pty) Ltd (now a major subsidiary of Vox Telecom Limited). Gert joined the Group in January 2004 as Assistant Financial Manager for Vox Orion, and was soon promoted to Financial Manager. During his tenure at Vox Orion, Gert was actively involved in most aspects of the business, and as a result gained valuable experience in the Telecommunication industry. In 2008 Gert was promoted to Financial Manager for Vox Telecom Limited reporting to the CFO, with responsibilities including assisting management with the day to day running of the Group. This allowed Gert to develop an intimate product, technical and operational understanding of the entire Group. Gert was made Chief Financial Officer in April 2010 and joined the board at the same time.

MR. DALEIN VAN ZYL, B.Eng (Mech), MBA, completed his undergraduate degree in Mechanical Engineering at Stellenbosch University and, after graduating, spent time in the mining industry and investment banking. In 2002, he left South Africa to complete his MBA at the MIT Sloan School of Management in Cambridge, MA. After graduating he joined The Boston Consulting Group in New York City and left in 2007 in order to return to South Africa and join Metier where he is currently an Associate Principal of the Lereko Metier Capital Growth Fund.

MR. PIERRE JOUBERT, B Comm, CA (SA), qualified as a Chartered Accountant with Deloitte & Touche in 1992. Pierre then joined Reunert Limited as a project accountant at the group head office. Over the next 5 years, he fulfilled various financial roles within the Reunert group, ending his time there as Financial director of Reumech Equipment, a group subsidiary company. In May 1997 he was appointed Commercial director of the Connection Group, a diversified IT company. Pierre was appointed Financial director of Software Connection Ltd upon that company's listing on the JSE Securities Exchange in October 1997. In April 1999 he assumed the role of CEO of Connection Group Holdings. Over the next 3 years, he led the transformation of the group from a situation of severe financial distress to that of a successful and vibrant retail organisation. In November 2002, Pierre joined Rand Merchant Bank, a division of Firstrand Bank Limited (RMB), as a senior equity transactor. Together with a colleague, he established a new business unit within RMB that has enjoyed much success in the area of value investment, primarily in listed securities.

MR. DOUGLAS WALLACE, CA (SA), worked at Deloitte from 1965 when he commenced his career as an audit clerk. He was admitted to the partnership in 1977 and has acted as an audit partner for a wide variety of companies. He was the lead client service partner of De Beers Group and E Oppenheimer & Son from 1999, where he was responsible for coordinating professional services of Deloitte to the De Beers Group globally. He participated in the unbundling of the De Beers and Anglo American group cross holdings as well as the delisting and restructuring of De Beers. Doug retired from Deloitte in 2005 and now sits on the Board of Trustees of the Epoch Trust, a charitable trust formed by Anglo American PLC as part of its social responsibility. Doug joined Vox Telecom Limited in August 2009 as Non-Executive Director.

MR. DOUGLAS REED is an entrepreneur whose biggest passion is starting up and growing successful businesses, especially when other people think it's impossible. At the age of 38 Douglas switched industries from hardware to IT. After a stint on a North Sea oil rig at the age of 22, Douglas took over Sandton City Hardware, which was followed by numerous start-ups, including a career as managing director of Mica Distributors and later as a board member of the Mica Hardware group. Douglas then joined Datapro, an ISP that is now part of Alt-X listed Vox Telecom Limited. He has seen the Group's value grow from R1.2m twelve years ago to a multi-billion rand business today. Douglas is innovative and entrepreneurial, and he strongly believes in creating wealth rather than competing for it.

JARGON BUSTER

Our telecommunications glossary is below. It includes a continuously expanding list of acronyms, abbreviations and product names that will (hopefully) help you to decipher some of the jargon that exists out there.

3G

3G or 3rd Generation is a generation of standards for mobile phones and mobile telecommunications services. Each generation is characterised by new frequency bands, higher data rates and non-backwards compatible transmission technology. 4G systems are expected to appear in the next year or two (pre-4G systems like LTE and mobile WiMAX have already appeared), and fifth generation systems after 2020.

ACE

The ACE (Africa Coast to Europe) submarine communications cable is a planned cable system along the west coast of Africa between France and South Africa. The ACE submarine cable system is to be more than 14,000 km long, and to become operational in 2011 with a minimum capacity of 1.92 Tbit/s.

ADSL

Asymmetrical Digital Subscriber Line. ADSL is a form of DSL, a data communications technology, that enables faster data transmission over copper telephone lines than a conventional modem can provide.

ATM

Asynchronous Transfer Mode. ATM is a cell relay network protocol which encodes data traffic into small fixed-sized (53 byte; 48 bytes of data and 5 bytes of header information) cells instead of variable sized packets (sometimes known as frames) as in packet-switched networks (such as the Internet Protocol or Ethernet). It is a connection-oriented technology, in which a connection is established between the two endpoints before the actual data exchange begins.

BROADBAND

Broadband in telecommunications is a term, which refers to a signalling method which includes or handles a relatively wide range of frequencies which may be divided into channels or frequency bins. Broadband is always a relative term, understood according to its context. The wider the bandwidth, the more information can be carried. In data communications a modem will transmit a bandwidth of 64 kilobits per seconds (kbit/s) over a telephone line; over the same telephone line a bandwidth of several megabits per second can be handled by ADSL, which is described as broadband (relative to a modem over a telephone line, although much less than can be achieved over a fibre optic circuit, for example).

CARRIER PRE-SELECT

Carrier pre-select is the process whereby a telephone subscriber whose telephone line is maintained by one company, usually a former monopoly provider, can choose to have some of their calls automatically routed across a different telephone company's network without needing to enter a special code or special equipment.

CDMA

Code Division Multiple Access. A protocol for wireless data and voice communication, CMDA is widely used in cellphone networks, but also in many other data communications systems.

CIRCUIT SWITCHED

In telecommunications, a circuit switching network is one that establishes a dedicated circuit (or channel) between nodes and terminals before the users may communicate. Each circuit that is dedicated cannot be used by other callers until the circuit is released and a new connection is set up. Even if no actual communication is taking place in a dedicated circuit then, that channel still remains unavailable to other users. Channels that are available for new calls to be set up are said to be idle.

CRISTAL VOX™

Cristal Vox™ is a corporate voice solution from Vox Telecom. Cristal Vox™ offers a range of outbound and inbound voice services at competitive rates, bundled with a geographic number (e.g. 010, 021 and 031) and a unique rebate structure.

CTR

Call Termination Rates. These are the charges which one telecommunications operator charges to another for terminating calls on its network. Termination may take place on a fixed or mobile network and may be symmetric (operators pay equal amounts to each other) or asymmetric (one operator, usually the incumbent, pays less than the other operator). See FTR and MTR.

DOC

Department of Communications. The South African government department responsible for management of the telecommunications industry.

EASSY

The East African Submarine Cable System. This is an initiative of various telecom companies in eastern and southern Africa, but some governments have been working through the New Partnership for African Development (NEPAD) attempting to supervise its construction and management. The 9,900 km cable would run from South Africa up to Sudan. For more information go to www.eassy.org.

ECA

ECA (or EC Act) means the Electronic Communications Act (Act No. 36 of 2005).

ECS

Any service provided to the public, sections of the public, the State, or the subscribers to such service, which consists wholly or mainly of the conveyance by any means of electronic communications over an electronic communications network, but excludes broadcasting services.

ECNS

A service whereby a person makes available an electronic communications network, whether by sale, lease or otherwise:

- (a) for that person's own use for the provision of an electronic communications service or broadcasting service;
- (b) to another person for that other person's use in the provision of an electronic communications service or broadcasting service; or
- (c) for resale to an electronic communications service licensee, broadcasting service licensee or any other service contemplated by the Electronic Communications Act.

ETHERNET

Ethernet is a large and diverse family of frame-based computer networking technologies for local area networks (LANs).

EYERIS™

Eyeris™ is a high-definition, hosted IP video conferencing system from Vox Telecom, offering high definition audio and video quality. The hosted IP bridge removes capital expenditure and enables multi-point, multi-access video conferencing.

FAX SERVER

A fax server is a set of software running on a server computer which is equipped with one or more fax-capable modems attached to telephone lines (or, more recently, software modem emulators which use "Fax over IP" technology to transmit the signal over an IP network). Its function is to accept documents from users, convert them into faxes, and transmit them, as well as to receive fax calls and either store the incoming documents or pass them on to users.

FISHBONE™

Fishbone™ Line Bonder from Vox Telecom combines multiple independent access lines, through line aggregation technologies, into a single high capacity corporate access solution. It is a lower cost alternative to traditionally high-priced access technologies, such as diginet. The new generation Fishbone now includes a full suite of unified threat management solutions (see UTM).

FTR

Fixed Termination Rates. These are the charges which telecommunications operators are charged for terminating calls on a fixed-line network.

GSM

Global System for Mobile communications (GSM: originally from Groupe Spécial Mobile) is the most popular standard for mobile phones in the world, with its promoter, the GSM Association, estimating that the GSM service provides 80% of the global mobile market and is used by over 1.5 billion people across more than 212 countries and territories. Its ubiquity makes international roaming very common between mobile phone operators, enabling subscribers to use their phones in many parts of the world.

HOSTING

Hosting or Web Hosting. The process of physically locating a website on a physical server at a secure location, typically belonging to an ISP.

iBURST

iBurst is the name of a supplier of wireless internet services operating in the South African market.

ICASA

Independent Communications Authority of South Africa. This is the regulatory body responsible for oversight of the telecommunications industry. Similar to the Federal Communications Commission (FCC) in the USA or Oftel in the UK.

I-ECNS Licence

Individual ECNS Licence – The ECNS licence comes in two variants, Individual and Class. The Class Licence restricts the Licensee to a geographical area, whereas the Individual Licence enables the Licensee to operate countrywide. The ECNS licence allows the licensee to provide ECNS services to its customers. See ECNS.

I-ECS Licence

Individual ECS Licence – The ECS licence also comes in two variants, Individual and Class. The Class Licence restricts the Licensee to a geographical area, whereas the Individual Licence enables the Licensee to operate countrywide. The ECS licence allows the licensee to provide ECS services to its customers. See ECS.

INTERCONNECT AGREEMENT

An Interconnect Agreement is the process for physically connecting the networks of different telecommunications carriers that is typically governed by a legal agreement stipulating specific tariffs for terminating calls on each of the respective networks.

IP

Internet Protocol. A series of rules for communication among computers over the Internet.

ISP

Internet Service Provider. An Internet Service Provider is a business or organisation that sells to consumers or business access to the internet and related services.

IVR

Interactive Voice Response. The generic term for a machine (hardware and software on a server) that will interface to a phone line and provide an inbound caller to gather information about accounts, orders, etc. For example: Dial 1 for account balance.

LCR

Least Cost Routing. The methodology for routing a voice call over the route that costs the least, effectively taking advantage of arbitrage opportunities that exist relative to the prices charged by competing operators in a network.

LEASED LINE

A leased line is a symmetrical telecommunications line connecting two locations together. Unlike traditional PSTN lines they do not have a telephone number, each side of the line being permanently connected to the other. They can be used for telephone, data or internet services.

LEGOGO™

Legogo™ from Vox Telecom provides access to Google Apps™ Premier edition. Legogo is a business tool that offers reliable, secure, online applications wherever people are, while reducing IT costs.

LOCAL LOOP UNBUNDLING

Local loop unbundling (LLU or LLUB) is the regulatory process of allowing multiple telecommunications operators to use connections from the telephone exchange's central office to the customer's premises. The physical wire connection between customer and company is known as a "local loop", and it is owned by the incumbent local exchange carrier (also referred to as the "ILEC," "local exchange" or an Independent telephone company). In order to increase competition, competitors of the ILEC are granted unbundled access.

LPN

Local Number Portability. Refers to the ability to transfer either an existing fixed-line or mobile telephone number assigned by a Local Exchange Carrier (LEC) and reassign it to another carrier.

LTE

3GPP Long Term Evolution is the latest standard in the mobile network technology tree that produced the GSM/EDGE and UMTS/HSxPA network technologies. Although LTE is often marketed as 4G, first-release LTE is a 3.9G technology since it does not fully comply with the IMT Advanced 4G requirements.

MAIN ONE

The MaIN OnE Cable is an undersea cable system expected to span 14,000 km and provide additional capacity for international and Internet connectivity to countries between Portugal and South Africa on the west coast of Africa.

MPLS

Multiprotocol Label Switching. In computer networking and telecommunications, MPLS is a data-carrying mechanism, which emulates some properties of a circuit-switched network over a packet-switched network. MPLS operates at an OSI Model layer that is generally considered to lie between traditional definitions of Layer 2 (data link layer) and Layer 3 (network layer), and thus is often referred to as a "Layer 2.5" protocol. It was designed to provide a unified data-carrying service for both circuit-based clients and packet-switching clients, which provide a datagram service model. It can be used to carry many different kinds of traffic, including IP packets, as well as native ATM, SONET, and Ethernet frames.

MTR

Mobile Termination Rates. These are the charges which telecommunications operators are charged for terminating calls on a mobile network.

NBIN

NEPAD Broadband Infrastructure Network is a South African government initiative driven by the Department of Communications (DOC) to provide a regional fibre optic network incorporating terrestrial and sea components.

OPEN SOURCE

Open Source is a set of principles and practices that promote access to the design and production of goods and knowledge. The term is most commonly applied to the source code of software that is available to the general public with relaxed or non-existent intellectual property restrictions. This allows users to create software through incremental individual effort or through collaboration.

OSI

The Open Systems Interconnection Reference Model (OSI Reference Model or OSI Model for short) is a layered, abstract description for communications and computer network protocol design, developed as part of the Open Systems Interconnection initiative. It is also called the OSI seven-layer model.

PACKET SWITCHING

Packet switching, in computer networking and telecommunications, is the now-dominant communications paradigm in which packets (units of information carriage) are routed between nodes over data links shared with other traffic. This contrasts with the other principal paradigm, circuit-switching which sets up a dedicated connection between the two nodes for their exclusive use for the duration of the communication. Packet switching is used to optimise the use of the bandwidth available in a network, to minimise the transmission latency (i.e. the time it takes for data to pass across the network), and to increase robustness of communication.

PABX

A Private Automatic Branch Exchange (PABX) is an automatic telephone switching system within a private enterprise. Originally, such systems - called Private Branch Exchanges (PBX) - required the use of a live operator. Since almost all private branch exchanges today are automatic, the abbreviation “PBX” usually implies a “PABX.

PERISCOPE™

Periscope™ is an SSL Gateway or Virtual Private Network (VPN) that allows users (via any web-enabled device) to access their company’s network from anywhere in the world, in a totally secure environment.

POP

Point of Presence. POP is an artificial demarcation point or interface point between communications entities.

POWWOW™

Powwow ™ is a hosted IP PABX solution that offers lower cost telephony for SMEs and corporates.

PSTN

The Public Switched Telephone Network (PSTN) is the concentration of the world’s public circuit-switched telephone network in much the same way that the Internet is the concentration of the world’s public IP based packet-switched networks. Originally a network of fixed-line analogue telephone systems, the PSTN is now almost entirely digital, and includes mobile as well as fixed telephones.

SNO

Second Network Operator. The term SNO has been used in the South African context to refer to the second fixed line telecom operator to be licensed after Telkom. The SNO is now known as Neotel.

QOS

Quality of Service. A measure of the level of service quality provided by a telecommunications provider or device. If a router, for example, can provide QoS functionality, it can be programmed or tuned to deliver voice packets ahead of data packets and provide a better voice quality.

SEACOM

The SEACOM marine cable system: The planned 13,000 km undersea fibre optic network will provide connectivity between South Africa, Madagascar, Mozambique, Tanzania, Kenya, India and Europe. Owned by the American Heracles Telecom, SEACOM’s planned commissioning date is the first quarter of 2009. The SEACOM cable system is being designed with a nominal capacity of 1,280 Gb/s comprised of two fibre pairs expected to connect South Africa, Mozambique, Madagascar, Tanzania and Kenya to India and Europe (with an option for UAE). For more information go to www.seacom.mu.

SPECTRUM

The range of electromagnetic radio frequencies used in the transmission of sound, data and television.

TEAMS

The East African Marine System, Teams will be owned by the Kenya Government (up to 40%), while Etilsat of the United Arab Emirates will hold a 20% stake. Private investors - yet to be secured - will hold 40%. The cable will run from Fujairah in the UAE to Mombasa, Kenya.

TELEPRENEUR™

Derived from a combination of telecommunications and entrepreneur, Telepreneur™ is designed to capture the innovative and entrepreneurial personality of the business.

VANS

Value Added Network Services. A term used to refer to other alternative, telecommunications service providers, generally known as VANS licensees that provide telephony services to the telecommunications market.

UTM

Unified Threat Management (UTM) is a comprehensive network gateway defence solution for organisations. It is the evolution of the traditional firewall into an all-inclusive security product that has the ability to perform multiple security functions in one single appliance: network firewalling, network intrusion prevention and gateway antivirus (AV), gateway anti-spam, VPN, content filtering, load balancing and on-appliance reporting.

VERTO™
Verto™ is a hosted, carrier-grade IP telephony solution designed to accommodate the end-to end telephony requirements of enterprise, SME and government organisations.

VOIP
Voice Over Internet Protocol. VoIP is the routing of voice conversations over the Internet or through any other IP-based network.

VOXAIR™
Voxair™ is an automated, secure teleconferencing solution. An unlimited number of participants can make use of this service at any time, from anywhere in the world, without the need to pre-book a time or subscribe to any services.

VOX COCKTAIL™
Vox Cocktail ™, which will only launch during the course of 2011, is a blended ADSL product that enables users to switch between different types of ADSL usage on the fly.

VOX POPULI
Latin for “voice of the people”.

VOX SUPAFONE™
The Vox Supafone™ is a multi-functional cordless phone that enables users to make calls over the internet. It offers dual mode functionality, which means users can easily between internet (Vox) and fixed-line calls whenever they choose. The Vox Supafone™ offers free on-net calls and rebates on incoming calls.

VPN
Virtual Private Network. A service that links a company’s local and telecom networks with the computers and phones of employees who work remotely, forming a telecom or data communications network that looks to users like a single business network.

WACS
WACS (West Africa Cable System) is a planned submarine communications cable linking South Africa with the United Kingdom along the west coast of Africa. The cable is expected to land in the following African countries: South Africa, Namibia, Angola, the Democratic Republic of the Congo, the Republic of Congo, Cameroon, Nigeria, Togo, Ghana, Côte d’Ivoire, Cape Verde as well as the Canary Islands, Portugal and the United Kingdom. The landings in Namibia, the DRC, the Republic of Congo and Togo will provide the first direct connections for these countries to the global submarine cable network. The design capacity of WACS is at least 3.84 Tbps.

WIMAX
WiMAX, the Worldwide Interoperability for Microwave Access, is a telecommunications technology aimed at providing wireless data over long distances in a variety of ways, from point-to-point links to full mobile cellular type access. It is based on the IEEE 802.16 standard, which is also called Wireless MAN. WiMAX allows a user, for example, to browse the Internet on a laptop computer without physically connecting the laptop to a wall jack. The name WiMAX was created by the WiMAX Forum, which was formed in June 2001 to promote conformance and interoperability of the standard. The forum describes WiMAX as “a standards-based technology enabling the delivery of last mile wireless broadband access as an alternative to cable and DSL.”

WLAN
Wireless Local Area Network. A link created between two or more computers or devices without using wires.

ZEPPELIN™
Zepplin™ is highly competitive wireless voice and data solution for businesses and SMEs. The wireless link, which offers liberal bandwidth and guaranteed speeds, is well suited to both voice and data applications.

NEXT BIG THING?

Vox Pureview

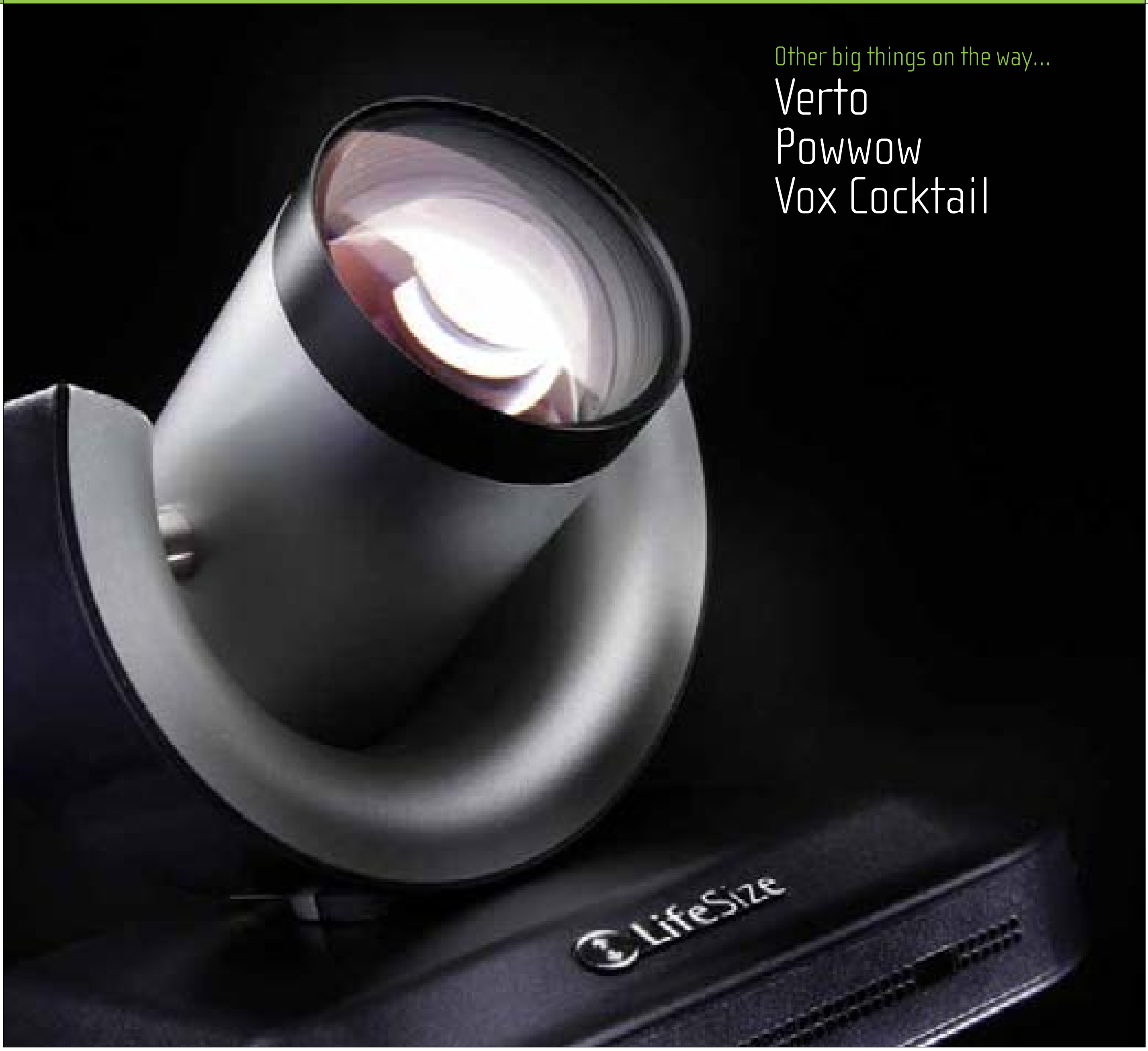
What is it?
If you're part of an organisation that requires cutti ng-edge audio and visual communications, then you need to know about Vox Telecom's newest division. Vox Pureview was created to answer the need for simple-to-use, high-quality unified communications within business environments. The team has a combined industry experience of over 30 years and has come together to develop innovative products that supplement Vox's infrastructure.

Ok, so what can they do?
If you can imagine "visual communications", the Vox Pureview team can do it. Virtual boardrooms, audio and video conferencing, desktop solutions, data conferencing, control equipment, interactive white boards, digital signage and projectors are just a few of the cool things these guys can pull out of the virtual hat. If you need to communicate interactively with colleagues, then they can hook you up.

More communication = happiness
There's suddenly no reason to travel to meetings anymore, no reason to fork out for accommodation costs and no reason not to stay in touch with your colleagues around the world on a daily basis. Vox Pureview's revolutionary products and services can connect you for less than you think. And it's all available in high definition using Vox's carrier-grade network. Sounds like a winner. We'll see (and hear) soon enough.

Other big things on the way...

Verto
Powwow
Vox Cocktail



DON'T MISS THE NEXT ISSUE! AVAILABLE FEBRUARY 2011