

VOX TELECOM LIMITED
(Registration number 1998/016433/06)
("Vox Telecom" or "the Company" or "the Group")
JSE Code: VOX
ISIN Code: ZAE 000097234

AUDITED RESULTS FOR THE YEAR ENDED 31 AUGUST 2008

Revenue up 87% to R1 847 billion
Operating profit up 64% to R137 million
Profit before taxation and exceptional item up 47% to R113 million
EBITDA before exceptional item up 76% to R181 million from R103 million
Cash generated from operations before exceptional item increased by 47% from R101 million to R149 million
Exceptional "once off" loss of R60.8 million
Profit before taxation for the year after exceptional items down 32% to R52 million
Earnings per share down 51% to 3.78 cps from 7.67 cps
Headline earnings per share down 47% to 4.04 cps from 7.67 cps

Condensed Consolidated Balance Sheet	Audited 2008 R'000	Audited 2007 R'000
ASSETS		
Non-current assets	1 459 272	829 542
Plant and equipment	104 524	58 989
Goodwill	597 296	214 742
Other intangibles	733 766	542 009
Finance lease receivables	2 902	
Deferred taxation	20 784	13 802
Current assets	449 143	434 714
Inventories	52 859	14 174
Trade receivables and prepayments	306 566	227 825
Current tax receivable	1 441	
Cash and bank balances	88 277	192 715
Total assets	1 908 415	1 264 256
EQUITY AND LIABILITIES		
Capital and reserves	1 085 270	642 112
Share capital	1 101	884
Share premium	1 002 384	599 688
Reserves	5 428	3 198
Retained earnings	76 357	38 342
Total equity	1 085 270	642 112
Non-current liabilities	296 934	279 980
- interest – bearing	123 550	142 311
- interest –free	502	397
Deferred taxation	172 882	137 272
Current liabilities	526 211	342 164
Trade and other payables	363 090	264 464
Provisions	2 342	5791
Taxation	15 107	27 582
Current borrowings	145 672	44 327
Total equity and liabilities	1 908 415	1 264 256

Ordinary shares in issue at period end ('000)	1 101 327	911 156
Net asset value per share (cents)	98.5	70.5

Condensed Consolidated Income Statement	Audited 2008 R'000	Audited 2007 R'000
Revenue	1 846 749	990 110
Cost of sales	(1 392 909)	(745 855)
Gross profit	453 840	244 255
Other income	1 523	2 427
Depreciation and amortisation	(44 474)	(19 726)
Employment costs	(144 460)	(76 085)
Occupancy costs	(14 087)	(4 100)
Other operating costs	(115 581)	(63 612)
Operating profit	136 761	83 159
Finance costs	(33 955)	(14 296)
Finance income	10 185	7 816
Net finance costs	(23 770)	(6 480)
Profit before taxation and exceptional item	112 991	76 679
Exceptional item	(60 841)	-
Profit before taxation	52 150	76 679
Taxation	(14 135)	(21 763)
Profit for the year	38 015	54 916
Attributable to equity holders of the parent	38 015	54 916
Earnings per share (cents)		
Basic EPS	3.78	7.67
Diluted basic EPS	3.70	7.49
Additional information:		
Reconciliation of profit for the year to headline earnings		
Profit for the year	38 015	54 916
Adjustments for:		
Impairment of assets	2 631	-
Loss on sale of assets	48	-
Headline earnings	40 694	54 916
Headline EPS (cents)	4.04	7.67
Diluted headline EPS (cents)	3.95	7.49
Number of shares		
In issue	1 101 327	911 156
Weighted average	1 004 899	716 166
Share options granted	22 011	16 818
Diluted weighted average	1 026 910	732 984

Consolidated Cash Flow Statement	Audited 2008 R'000	Audited 2007 R'000
Cash flow from operating activities		
Operating cash before working capital movements	188 651	107 567
Working capital movements	(39 277)	(6 271)
Cash generated from operations	149 374	101 296
Net interest paid	(23 770)	(6 480)
Taxation paid	(49 313)	(13 104)
Net cash inflow from operating activities before exceptional item	76 291	81 712
Loss on collapse of Dealstream	(60 842)	-
Net cash inflow from operating activities	15 449	81 712
Cash flow from investing activities		
Additions to plant and equipment to expand operations	(71 018)	(37 227)
Additions to other intangibles to expand operations	(18 822)	-
Proceeds on disposal of property, plant and equipment	2 249	145
Acquisition of subsidiaries and business units - <i>note 1</i>	(472 141)	(393 201)
Additional vendor payments	(12 004)	-
Net cash outflow from investing activities	(571 736)	(430 283)
Cash flow from financing activities		
Proceeds from shares issued (net of costs)	408 307	362 805
Proceeds from long and short-term borrowings	62 652	160 538
Net cash outflow from share buy back	(2 642)	-
Loss on treasury shares misappropriated	(16 469)	-
Net cash inflow from financing activities	451 848	523 343
Net (decrease)/increase in cash and cash equivalents	(104 439)	174 772
Bank balance at beginning of year	192 715	17 943
Cash and cash equivalents at end of year	88 277	192 715

Note 1

Investment in subsidiaries and business units

	Amvia	Storm	ODS Assets	Telkom	ABSA Assets	2008 R'000
Percentage acquired	100%	100%	acquired	100%	acquired	
Date acquired	1 Dec 07	1 Feb 08	1 Feb 08	1 Dec 07	1 Dec 07	
Fair value of assets and liabilities acquired in subsidiaries:						
Plant and equipment	289	2,020	-	2,362	-	4,671
Intangible assets : Computer Software	130	-	-	-	-	130
Finance lease receivable	-	-	-	3,613	-	3,613
Deferred tax asset	128	7,190	-	273	-	7,591
Inventories	489	426	-	1,987	-	2,902
Trade and other receivables	5,617	36,099	-	905	-	42,621
Trade and other payables	(4,924)	(57,003)	-	(167)	-	(62,094)
Taxation liabilities	-	(1,080)	-	-	-	(1,080)
Cash	955	(2,158)	-	(515)	-	(1,718)
Finance lease	-	-	-	(3,536)	-	(3,536)
Total net assets acquired	2,684	(14,506)	-	4,922	-	(6,900)
Intangible assets (customer bases and contracts)	11,119	123,372	2,848	5,370	44,965	187,674
Intangible assets (trademark)	5,419	-	-	-	-	5,419
Deferred tax	(4,796)	(35,778)	(826)	(1,880)	(13,040)	(56,320)
Goodwill	21,604	304,124	2,659	1,588	40,575	370,550
Purchase price	36,030	377,212	4,681	10,000	72,500	500,423
Settled in equity - ordinary shares in Vox Telecom Limited	(13,500)	-	-	-	-	(13,500)
Outstanding at year end - vendors payable	(16,500)	-	-	-	-	(16,500)
Cash acquired	(955)	2,158	-	515	-	1,718
Cash impact of acquisition, net of cash and cash equivalents acquired	5,075	379,370	4,681	10,515	72,500	472,141

Consolidated Statement of Changes in Equity	Share capital	Share premium	Reserves	Retained profits (Accumulated Losses)	Equity attributable to equity holders of the parent
	R'000	R'000	R'000	R'000	R'000
Restated balance as at 31 August 2006	484	206 430	-	(16 574)	190 340
Profit for the year	-	-	-	54 916	54 916
Total recognised income and expense	-	-	-	54 916	54 916
Shares issued (net of costs)	400	393 258	-	-	393 658
Shares issued in terms of employee option scheme	27	17 991	-	-	18 018
Less: treasury shares held	(27)	(17 991)	-	-	(18 018)
Share-based payment expense	-	-	3 198	-	3 198
Balance as at 31 August 2007	884	599 688	3 198	38 342	642 112
Profit for the year	-	-	-	38 015	38 015
Total recognised income and expense	-	-	-	38 015	38 015
Shares issued (net of costs)	190	403 816	-	-	404 006
Treasury shares issued	27	17 991	-	-	18 018
Shares bought back	(33)	(64 921)	-	-	(64 954)
Shares re-issued	33	62 279	-	-	62 312
Misappropriation of treasury shares	-	(16 469)	-	-	(16 469)
Movement in FCTR	-	-	(968)	-	(968)
Share-based payment expense	-	-	3 198	-	3 198
Balance at 31 August 2008	1 101	1 002 384	5 428	76 357	1 085 270

COMMENTARY

The condensed annual financial statements for the year ended 31 August 2008 for Vox Telecom, are presented below. These condensed financial statements have been prepared in accordance with accounting policies and methods of computation that are consistent with those of the prior year, except for the adoption of International Financial Reporting Standards ("IFRS") 7, *Financial Instruments: Disclosures*, and with IFRS. The annual financial statements from which these results have been derived have been audited by Deloitte & Touche. Their unmodified opinion is available for inspection at the registered office of the company. This announcement has been prepared in accordance with *IAS 34 Interim Financial Reporting* and JSE listings requirements.

COMPANY PROFILE

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, DataPro, @lantic, @lantic Exchange, Orion Telecom 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

BUSINESS OVERVIEW

Vox Telecom has continued its strategy of increasing revenue and earnings through a combination of organic and acquisitive growth. The 2008 fiscal year has been characterised by a number of strategic acquisitions, organic growth across all business units and a substantial increase in the Group's customer base. Revenues increased by 87% to R1 847 billion from the R990 million recorded in the previous year and operating profits increased by 64% to R137 million from R83 million in the previous year. Earnings per share ("eps") and headline earnings per share ("heps") were significantly impacted by the exceptional loss of R61 million from the Dealstream Events, which have been explained under "Financial Review" and "Subsequent Events". These events are regarded as 'exceptional' or 'once off' in nature and have no direct impact on the operations of the Company.

Key highlights of the year include:

- strong organic growth across the core operating business units with a continued focus on operational improvement and service delivery to ensure the delivery of the highest levels of customer service;
- the Group has grown to service over 18 000 business customers across the Corporate Voice and Corporate ISP business units and over 166 000 Consumer ISP customers;
- further expansion of the Service Centre, the Group's centralized call centre operation with 107 seats in use by a multi-disciplined team that provides 24x7 support to corporate customers and consumers;
- meaningful growth in Vox Telepreneur, which markets the Vox ADSL consumer phone as its primary product. Vox Telepreneur now includes 2 226 dealers and 4 047 customers as at the date of this announcement. Average Revenue Per User ("ARPU's") for Vox Telepreneur achieved on voice usage have exceeded initial forecasts with average ARPU's of approximately R262 per user;
- the acquisition and integration of Absa Internet Access ("AIA"), effective 1 December 2007, and Storm Telecom ("Storm"), effective 1 February 2008, have both been completed and further synergies are expected to be achieved over the next 12 months;
- the acquisition of Amvia, effective 1 December 2007, has exceeded financial performance expectations and has resulted in a business that offers superior corporate faxing solutions and services. Opportunities to sell Amvia's products and services have presented themselves in the UK, China and India and these will be actively pursued with joint venture partners over the forthcoming months;
- the incorporation of Telkom Ericsson, a PABX reseller, into Orion Telecom Namibia (previously Definity Telecom Namibia), that was acquired effective from 1 December 2007, has been completed and the 'combined' businesses are positioned to grow voice revenues significantly in the Namibian market;
- the BEE shareholding has increased to 43.34% following the Storm acquisition with the Lereko

- Métier Capital Growth Fund ("LMCGF") now holding 24.27%, Mvelaphanda Group Limited 12.4%, Regiments Capital 4.24%, Thembeke Capital 1.61% and a group of historically disadvantaged individuals 0.82%;
- the Public Investment Corporation ("PIC") has acquired 8.12% of the shareholding of Vox which is considered as a BEE neutral shareholding. Excluding the PIC's shareholding, the BEE shareholding is now 47.17%, which firmly establishes Vox Telecom as the largest, black owned telecommunications company in South Africa;
 - growth in the monthly contracted annuity revenue across the Group has increased from R125 million per month as at 31 August 2007 to R175 million per month as at 31 August 2008;
 - increase in our staff complement from 515 to 698 employees to support organic growth and the recent acquisitions;
 - the recent high court judgment that allows VANS to self-provide (build their own networks) and therefore receive Independent Electronic Communication Network Services ("I-ECNS") licenses will enable Vox Telecom to compete as a fully fledged telecommunications operator with the same rights as the incumbent operators such as Telkom, MTN and Vodacom. The obligations and fees pertaining to such a license are yet to be tabled in detail by ICASA;
 - Vox Telecom has entered into a strategic agreement with Neotel to supply Neotel products to the Vox customer base;
 - Vox is recognised as a leading aggregator of alternative voice traffic and dominates interconnect traffic passed between the Vox network and the incumbent operators, which has resulted in the continued investment in network infrastructure to support the growing data and voice business at the major centres of Johannesburg, Cape Town and Durban; and
 - Vox was recently announced as the winner of the AltX category, Chartered Secretaries/JSE annual report awards for corporate reporting for its 2007 Annual Report.

FUTURE PROSPECTS

We will continue with our strategy to build Vox Telecom into the leading independent, alternative provider of voice and data solutions to the southern African market with our key goals and objectives remaining unchanged.

This strategy includes, but is not limited to:

- the continued growth of all the core business divisions through strong organic growth;
- strategic acquisitions of businesses that allow Vox to further scale its voice and data business or that enable the expansion into complimentary markets that improve Vox's strategic positioning including further expansion into Africa where it makes sense;
- growth in the volume of incoming voice minute traffic, terminating on the Vox Telecom network primarily by Vox's positioning as a 'wholesale' Telco operator and secondly by the growth of Vox Telepreneur, the Vox ADSL consumer product offering;
- maximizing synergies and economies of scale on Vox's established voice and data platforms;
- growth in the ARPU across the @lantic consumer customer base as well as the Orion and DataPro corporate business;
- maximizing the benefit of strategic relationships with key players in the South African market, such as Neotel; and
- the ongoing provision of comprehensive and innovative telecommunications solutions that deliver on the promise of convergence and that provide customers with an economic benefit and strategic advantage.

Vox Telecom offers a critical service to the corporate sector and believes that it provides a competitive voice and data offering to business at a reasonable price. In addition, South Africa is poised for further growth in internet penetration with independent analysts such as BMI forecasting significant growth in the consumer sector over the next 5 years.

Vox Telecom has made significant investments in its infrastructure, people and products and expects to achieve strong organic growth over the next 5 years as it takes advantage of the full liberalization of the South African telecommunications market and the opportunities available in the southern African region.

FINANCIAL OVERVIEW

Revenues increased by 87% to R1 847 billion from R990 million recorded in the previous year, including 7 months contribution from Storm, effective 1 February 2008 and 9 months contribution from AIA effective 1 December 2007. Similarly, Amvia and Telkom Ericsson have only been accounted for from 1 December 2007. Monthly contracted revenue increased to R175 million per month from R125 million per month as at 31 August 2007.

The growth in revenues have primarily been driven by the growth in corporate voice revenues derived from Orion Telecom, now included for a full 12 months, and acquired Storm voice revenues. Organic revenue growth in corporate voice approximated 14% across 7 931 customers. Including acquisitions this growth rate was 37%.

Encouragingly, Group gross profit margins were maintained at 25%, including lower margin voice business, which now accounts for approximately 72% of total revenue. Operating profit margins decreased to 7% from 8% after including the effects of costs relating to the Storm transaction, including lease cancellation costs and associated integration costs. In addition, increased finance costs relating to working capital facilities of R94 million, and the effects of an increase in the prime lending rate over the period, collectively contributed to this reduction in profitability.

DataPro's Corporate data revenue grew approximately 30%, growing organically off its own customer base, as well as increased market share from new sales outside of the existing base. ARPU increased from R2 200 per month to R3 772 per month, derived from a base of over 8 100 Corporate customers. Gross profit margins have remained at 35%. Corporate data growth continues to be driven by the demand and increased usage of bandwidth, which has impacted positively on data margins. Businesses ADSL continues to grow strongly, increasing market share whilst the broadband solution continues to offer numerous alternatives to both consumers and the corporate market, with significant increases in demand for wireless solutions being experienced.

@lantic's Consumer data revenue grew, through a combination of acquisitive and organic growth, from R77 million to R171 million (the acquisition of the AIA customer base contributed approximately R6 million per month).

Consumer ARPU derived across a base of 166 318 customers has grown to R99 per month and continues to grow month-on-month. The AIA customer base was acquired with an ARPU of R49 per month and the strategy is to restore ARPU across the entire @lantic base to levels of approximately R150 per month. @lantic has consistently been the leading reseller of iBurst and is a major reseller of Vodacom 3G solutions.

Consumer voice revenues from Vox Telepreneur are growing at 20% per month, which is being derived from 4 047 Vox ADSL phones currently in use. ARPU's have grown to R269 per month which is in line with expectations. Total capital investment in Vox Telepreneur to-date in systems and products is R40 million. Consumer voice revenues from Vox Telepreneur achieved gross profit margins of 36%. Revenues for the year-to-date, from initial launch in March 2008, were R5m

Employment costs, as a percentage of revenue, rose marginally to 7.8%, after higher than anticipated integration costs related to the Storm transaction but are expected to decrease going forward.. Similarly, occupancy costs are expected to decrease as a result of the cancellation of lease obligations inherited from the Storm transaction. Other operating costs, as a percentage of revenue, have decreased to 6.2% from 6.4% and improvements in the year ahead have been targeted through careful cost control. The Group is well positioned for growth without significantly increasing headcount for the upcoming 12 month period.

Operating profit before exceptional items increased 64% to R137 million, from R83 million and EBITDA increased 76% to R181 million, after adding back amortisation and depreciation charges of R44 million. This resulted in cash generated from operations of R149 million, which translates to an EBITDA cash conversion rate of 82%, which in turn has predominantly been invested in capital expenditure.

The Storm voice and data revenues have taken longer than was originally anticipated to be integrated into the various business units and the maximisation of synergies and profits expected from this acquisition are now expected to be derived in the year ahead. Once off integration costs relating to the Storm transaction are estimated at R3 million, arising primarily from the cancellation of lease obligations, other services and doubtful debts arising from the acquired customer base.

The adjustment in respect of share based payments, in accordance with IFRS 2, relates to options granted to key Vox Telecom management and employees, and amounted to R3 million for the year.

Exceptional items relate to the Dealstream Events, which are regarded as non-recurring in nature and have been accounted for as follows:

- The full impact of a R61 million charge has been accounted for in the financial year ended 31 August 2008, including a provision for anticipated legal and other related costs;
- This R61 million 'once off' charge consists of the following items:
 - o Misappropriation of a cash balance of R30 million;
 - this cash balance of R30 million has been derecognised as a financial asset in terms of IAS 32 with a direct impact on eps and heps; and
 - this capital loss can be offset against future capital gains for tax purposes.
 - o The derecognition and resulting impairment of employee loans and interest capitalised to the value of R29 million in terms of IAS 32 and IAS 39, respectively;
 - with a resultant impact to eps and heps;
 - with the loss being deductible for tax purposes.

The loans were granted to employees on an arms length basis to assist them to participate in the share placement relating to the Storm transaction with the resulting interest pledged as security to the Company.
- Share premium has been reduced by R16 million from the fraudulent misappropriation of 27 300 000 treasury shares that had been allocated for the purposes of a share option scheme. Of these, 2 348 000 options have been exercised to date. This loss has been recognised directly against share premium.

Earnings per share ("eps") and headline earnings per share ("heps") have decreased by 51% and 47% to 3.78 cps and 4.04 cps respectively, as a result of the Dealstream Events. If the Dealstream Events are excluded this would have resulted in an increase in eps and heps of 25% and 28% respectively, compared to the previous reporting period.

Cash generated from operations grew steadily to R149 million, after working capital investments as at 1 February 2008 and relating to the payment of R57 million of acquired payable balances in respect of the Storm transaction. We expect cash balances on hand to continue to steadily improve given the cash generative nature of the underlying businesses and careful attention to investment in working capital and the diligent collection of accounts receivable. A further R70 million of working capital facility provided by Investec Bank Limited was raised during the period under review to fund further expansion and growth of existing and new operations. A portion of the cash investment in the Vox ADSL phone amounting to R23.8 million has been refinanced by Innovent, with the purpose of freeing up working capital for more efficient use within the operations of the Group.

The increases in intangibles and goodwill and the corresponding increase in deferred taxation, arises principally from the acquisitions of Storm and AIA and to a lesser extent the acquisitions of Amvia, Telkom Ericsson and the customer base of ODS, all of which have been accounted for in terms of IFRS 3. In compliance with IFRS3 these acquisition balance sheets remain preliminary as at 31 August 2008 and will be finalised within the prescribed 12 month period from respective transaction effective dates.

Inventory balances increased by R39 million at year end, relating to the purchase of 20 000 units of Vox Telepreneur ADSL handsets and modems during the period. At year end approximately 3 150 units had been sold with the balance of R32 million contributing to working capital balances.

A considerable investment has been made in infrastructure, upgrading of systems and software, development of new products and training of employees. This resultant capital expenditure (on

premises, equipment, improving and maintaining the IP network infrastructure) amounted to R71 million for the year under review. This is higher than the originally anticipated costs of R50 million. R40 million of the investment cost was incurred during the six months ended 29 February 2008, with the balance being incurred in the second six months of the financial year. Anticipated capital expenditure in the year ahead is not expected to exceed R70 million and where possible this expenditure will be deployed over an extended period

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 an operational existence for the foreseeable future.

SEGMENTAL REPORTING

Primary business segments

The Group operates through its' four operating businesses, namely Orion, DataPro, @lantic, and Amvia. Other areas include corporate head office and the other early stage businesses. The Group's principal product offerings are as follows:

- Orion - Corporate voice and data through Orion Telecom and DataPro. All voice acquisitions, namely Definity, Dial and Voip Telecoms, Orion Namibia (includes Telkom Ericsson) and Storm Telecom from 1 February 2008 have been incorporated into Orion.
- DataPro - Corporate voice and data through DataPro. The acquisition of ODS and Storm Telecom (data only) from 1 February 2008 have been incorporated into DataPro
- @lantic - Consumer data through @lantic Internet Services which includes the acquisition of AIA (from 1 December, 2007)
- Amvia - Fax services through Amvia, effective 1 December 2007
- Other - includes Vox Telepreneur, Vox Core, @lantic Exchange and corporate head office:

	Total	Orion	DataPro	@lantic	Amvia	Head Office and Other
	R'000	R'000	R'000	R'000	R'000	R'000
2008						
Revenue	1,846,749	1,336,525	261,927	169,097	34,220	44,980
Operating profit (loss) before exceptional item	136,761	85,116	24,114	14,619	3,399	9,513
Net finance (costs)income	(23,770)	18,648	(22,528)	2,931	173	(22,994)
Inventory	52,859	13,732	2,451	569	12,767	23,340
Goodwill	597,296	480,212	40,142	48,185	28,757	-
Intangible assets (excluding software)	718,694	520,198	45,202	117,058	18,075	18,161
Other segment assets	539,566	327,354	94,613	16,014	19,110	82,476
Total assets	1,908,415	1,341,495	182,408	181,826	78,709	123,977
Total liabilities	823,145	386,111	59,635	72,681	14,527	290,190
Depreciation and amortisation	44,474	19,316	7,053	5,252	465	12,388
	Total	Orion	DataPro	@lantic		Head Office and Other
	R'000	R'000	R'000	R'000		R'000
2007						
Sales	990,110	747,766	162,292	76,585	-	3,467
Operating profit (loss)	83,159	73,379	15,030	10,672	-	(15,922)
Net finance (costs)income	(6,480)	420	(3,840)	(2)	-	(3,058)
Inventory	14,174	7,773	2,426	3,975	-	-
Goodwill	214,742	174,500	37,483	2,759	-	-
Intangible assets (excluding software)	536,104	450,065	14,209	35,737	-	36,093
Other segment assets	499,237	346,928	83,724	18,070	-	50,515
Total assets	1,264,256	979,266	137,842	60,541	-	86,608
Total liabilities	622,145	291,892	73,624	18,609	-	238,019
Depreciation and amortisation	19,726	8,230	9,221	949	-	1,326

Secondary geographic segments

The Group's businesses operate in two principal geographical areas - South Africa and Namibia.

	Total 2008 R'000	South Africa 2008 R'000	Namibia 2008 R'000	Total 2007 R'000	South Africa 2007 R'000	Namibia 2007 R'000
Sales	1,846,749	1,822,292	24,457	990,110	983,453	6,657
Segment assets	1,908,415	1,885,803	22,612	1,264,257	1,261,610	2,647

ACQUISITIONS AND ISSUE OF SHARES FOR CASH DURING THE YEAR

With effect from 1 December 2007, Vox Telecom, through its wholly owned subsidiary, @lantic, acquired the customer contracts and certain computer hardware from Absa Bank Limited ("ABSA") for a purchase consideration of R73 million. The purchase consideration was settled through existing cash resources.

Vox Telecom acquired Storm with effect from 1 February 2008. Storm is considered one of South Africa's leading alternative telephony service providers, offering voice services via a variety of technologies including: VoIP, cellular least cost routing and international call back. The purchase consideration of R377 million was discharged by way of a vendor placement of 184 301 524 shares to the Storm vendors, 149 538 462 of which were then placed on behalf of the vendors at 212 cps to Regiments Capital, Mvelaphanda Group Limited, other existing shareholders. The balance of 34 763 062 shares were acquired by approximately 160 Vox Telecom employees, via a combination of own funds and funds loaned to employees specifically for the purchase of these shares. These employee interests were held via Contracts for Difference at Dealstream and have been compromised and accordingly loans to employees impaired as a result of the Dealstream Events. Further commentary has been provided in the Financial Overview and Subsequent Events.

Amvia was acquired for a purchase consideration of R36 million, effective 1 December 2007, settled by a combination of R6 million cash and a further amount by way of a new issue of 5 869 564 ordinary shares at a price of 230 cps. A further 7 173 913 ordinary shares were issued to Amvia vendors at 230cps on 5 November 2008 based on the attainment of certain profit warranties. As at 31 August 2008 there is a potential future contingent consideration of R7 million payable as a result of these warranties being exceeded.

The remaining acquisitions of Telkom Ericsson and ODS were settled in cash, with a final nominal amount of approximately R2 million still payable to the ODS vendors in February 2009.

The total number of shares in issue as at 31 August 2008 was 1 101 326 786 and has increased to 1 108 501 698 after year end and due to the issue of the 7 173 913 Amvia shares. 2 348 000 share options have been exercised to date by employees as at 31 August 2008.

The total number of shares in issue on weighted average fully diluted basis as at 31 August 2008 is now 1 026 909 517.

SUBSEQUENT EVENTS

Dealstream Events

SENS announcements were made in respect of this matter on 23 September 2008, 26 September 2008 and 28 October 2008. The Company has referred to these matters as the "Dealstream Events". These events have resulted in an exceptional 'once off' loss of R 60.8 million in the current financial year, and as explained in the Financial Overview above.

Further to this:

- the Company and its legal advisors continue to engage with the curator of Dealstream that has been appointed at the instance of the FSB, to pursue its claim against Dealstream on behalf of the Company and its employees. The Company has appointed a firm of independent forensic auditors to investigate the misappropriation of 27 300 000 treasury shares, for the purposes of a share incentive scheme established for the benefit of the Company's employees by Dealstream. This investigation is still underway and the curator has agreed to cooperate with Vox Telecom. The Company can confirm, however, that these shares have been misappropriated which has been confirmed in the Curator's report dated 10 November 2008.
- the Company has filed a claim against Dealstream on behalf of the Casey Investment Holdings Limited Share Incentive Scheme Trust ("the Trust") for the proceeds of the sale of the misappropriated shares amounting to R53 million (27 300 000 shares x 195 cents per share).
- the Company has filed a claim against Dealstream and/or its directors/officers for missing cash in the amount of approximately R30 million.
- The claims have been lodged with the Curator of Dealstream.
- the Company will assist the relevant authorities in the ensuing investigation and prosecution.
- The Company has opened a case of theft against Dealstream and/or its directors/officers with the SAPS' Serious Economic Offences Unit.

The curator of Dealstream has made a verbal claim against certain directors and employees of Vox Telecom regarding potential claims by Dealstream. This claim has not been substantiated in writing to the employees of the Company and is based on an assumed value of Vox shares following RMB placing Dealstream into default. Vox Telecom is of the opinion that these claims are without merit and circumstantial at best, and has appointed legal advisors to represent Vox Telecom employees. In this regard the Vox Telecom employees who have been affected by the collapse of Dealstream have made a claim against Dealstream for R89 million based on the closing out of CFD positions on 22 September 2008. It should be noted, however, that the Company will continue to incur additional fees and expenses associated with the legal and forensic actions being taken on behalf of the Company and its employees against Dealstream and its associates. These costs will be expensed as incurred.

Delayed Transaction

The effect of the Dealstream collapse, the consequent effect on the Company's traded price per share, further compounded by the general price deflation in public markets has caused the interruption of certain transactions. In particular, the Company committed to an agreement whereby a BEE investor committed to a subscription for shares in Vox which was not completed. The company has reviewed its commercial and legal position with respect to this transaction and will keep shareholders appropriately informed of developments.

DIRECTORS HOLDINGS AND NEW INCENTIVE SCHEME

The Company has met with its major shareholders and has discussed the need for a new share incentive scheme for key personnel. Given the impact of the Dealstream Events on the shareholding of the executive directors and certain key staff the Board of Directors and shareholders recognise the need to ensure that these key personnel's compensation packages are appropriate.

The details of this scheme are still being finalised and will be communicated in a detailed circular which will be subject to shareholder approval.

SHAREHOLDING IN VOX

As a result of the Dealstream events and following Rand Merchant Bank (“RMB”) taking over the Dealstream portfolio, the shareholder register of Vox has materially changed. In this regard the summary of the major shareholders of reference is as follows:

KEY SHAREHOLDERS	NUMBER OF SHARES	PERCENTAGE OWNERSHIP
LEREKO METIER CAPITAL GROWTH FUND	269,000,000.00	24.27%
RMB*	259,817,700.00	23.44%
MVELAPHANDA GROUP	137,500,000.00	12.40%
PUBLIC INVESTMENT CORPORATION	90,000,000.00	8.12%
REGIMENTS CAPITAL	47,000,000.00	4.24%
PSG GROUP	30,712,856.00	2.77%
THEMBEKA CAPITAL	17,857,143.00	1.61%
TOTAL KEY SHAREHOLDING	851,887,699.00	76.85%

**Rand Merchant Bank, a division of Firstrand Bank Limited*

Note:

The percentage ownership of these major shareholders is based on the number of 1 108 501 698 shares in issue as at 18 November 2008.

As per the SENS announcement by FirstRand Bank Limited on 9 October 2008 and following the Dealstream Events, RMB now holds a strategic position in Vox as illustrated in the table above. It should be noted that the RMB position is held via Single Stock Futures which will be closed out on expiry of the futures contract whereafter RMB will take physical delivery of the shares.

DIRECTOR CHANGES

Mr Mutle Mogase and Mr Chris Lister James (“alternate”) resigned as non-executive directors on 21 November 2007. Mr Tshakalisa Matiwaza was appointed executive director on 30 January 2008, representing Mvelaphanda Group Limited on conclusion of the acquisition of Storm. Mr Pierre Joubert was appointed as a non-executive director on 27 October 2008, to represent the shareholding of RMB, following the Dealstream Events. The board is currently in the process of finalising the appointment of a further two independent non-executive directors.

DIVIDENDS

With the application of cash generated from operations being focussed on the acquisition of annuity income streams and the continued investment in our network infrastructure and new initiatives, the directors have decided not to declare a dividend for the year under review.

GENERAL

The board of directors would like to thank the management and all employees for the contribution they have made to the continued growth in the Company which has resulted in the successes of the past year.

By order of the Board

AP van Marken
Chairman
19 November 2008
Johannesburg

DG Reed
Chief Executive Officer

Registered Office

Block D, Rutherford Estate, 1 Scott Street, Waverley, 2090

Directors

AP van Marken, DG Reed , CM von Holdt, GP Sweidan, JA du Toit, RT Dalais*, NN Gwagwa*, T
Matiwaza* ,P Joubert*

* Non-executive

Designated Advisor

PSG Capital (Pty) Ltd

Transfer Office

Computershare Investor Services 2004 (Pty) Ltd