THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 5 of this Circular apply *mutatis mutandis* to this cover page.

ACTION REQUIRED BY SHAREHOLDERS

1. This entire Circular is important and should be read with particular attention to the section entitled "*Action required by Shareholders*", which commences on page 3.
2. If you are in any doubt as to what action to take in relation to this Circular, please consult your CSDP, Broker, banker, attorney, accountant or other professional advisor immediately.
3. If you have disposed of all your Shares in CSG, please forward this Circular to the purchaser of such Shares or to the CSDP, Broker, banker or other agent through whom the disposal was effected.

CSG does not accept responsibility, and will not be held liable, for any action of, or omission by, any CSDP or Broker including, without limitation, any failure on the part of the CSDP or Broker of any Shareholder to notify such Shareholder of the General Meeting, notice of which is contained in and forms part of this Circular.

CSG HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2006/011359/06)
Share Code: CSG
ISIN ZAE000184438
("**CSG**")

CIRCULAR TO CSG SHAREHOLDERS

Relating to the approval of the Disposal, which constitutes a category 1 transaction in terms of the JSE Listings Requirements, and incorporating:

– a Notice of General Meeting; and

– a Form of Proxy *(yellow)* (for use by Certificated Shareholders and Dematerialised Shareholders who have selected Own-Name Registration only).

Corporate Advisor and Sponsor

PSG CAPITAL

Auditors and Independent Reporting Accountants

BDO

Legal Advisor

Date of issue: 20 August 2020

Copies of this Circular are available in English only and may, from the date of posting of this Circular until the date of the General Meeting (both days inclusive), be obtained from the registered office of CSG or from the Sponsor, at the addresses set out in the "*Corporate Information*" section of this Circular. A copy of this Circular will also be available on CSG's website at https://www.csgholdings.co.za.

FORWARD-LOOKING STATEMENT DISCLAIMER

The definitions and interpretations commencing on page 5 of this Circular apply *mutatis mutandis* to this forward-looking statement disclaimer.

This Circular contains statements about CSG and/or the CSG Group that are or may be forward looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. These forward-looking statements are not based on historical facts, but rather reflect current expectations concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as "**believe**", "**aim**", "**expect**", "**anticipate**", "**intend**", "**foresee**", "**forecast**", "**likely**", "**should**", "**planned**", "**may**", "**estimated**", "**potential**" or similar words and phrases.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. CSG cautions that forward-looking statements are not guarantees of future performance. Actual results, financial and operating conditions, liquidity and the developments within the industry in which CSG operates may differ materially from those made in, or suggested by, the forward-looking statements contained in this Circular.

All these forward-looking statements are based on estimates and assumptions made by CSG, as communicated in publicly available documents by CSG, all of which estimates and assumptions, although CSG believes them to be reasonable, are inherently uncertain. Such estimates, assumptions or statements may not eventuate. Factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied in those statements or assumptions include other matters not yet known to CSG or not currently considered material by CSG.

Shareholders should keep in mind that any forward-looking statement made in this Circular or elsewhere is applicable only at the date on which such forward-looking statement is made. New factors that could cause the business of CSG not to develop as expected may emerge from time to time and it is not possible to predict all of them. Further, the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement are not known. CSG has no duty to, and does not intend to, update or revise the forward-looking statements contained in this Circular after the date of this Circular, except as may be required by law. Any forward-looking statement has not been reviewed nor reported on by the Independent Reporting Accountants.

CORPORATE INFORMATION

The definitions and interpretations commencing on page 5 of this Circular apply *mutatis mutandis* to this "Corporate Information" section.

DIRECTORS
Bulelani Thandabantu Ngcuka* *(Chairman)*
Petrus Johannes Jacobus Dry *(Chief executive officer)*
Jacobus Gerrit Nieuwoudt *(Chief operating officer)*
William Edward Scott *(Chief financial officer)*
Mathukana Mokoka*# *(Lead independent Director)*
Renganayagee Kisten*#
Nona Ndiliseka Sonjani*#

* *Non-executive*
\# *Independent*

DATE OF INCORPORATION
12 April 2006

PLACE OF INCORPORATION
Johannesburg, South Africa

REGISTERED OFFICE
6 Topaz Avenue
Lyttelton Manor Ext 3
Centurion 0157
(Postal address as above)

TRANSFER SECRETARIES
Link Market Services South Africa Proprietary Limited
(Registration number 2000/007239/07)
19 Ameshoff Street
Braamfontein 2001
(PO Box 4844, Johannesburg 2000)

SPONSOR
PSG Capital Proprietary Limited
(Registration Number 2006/015817/07)
1st Floor, Ou Kollege
35 Kerk Street
Stellenbosch, 7600
(P O Box 7403, Stellenbosch 7599)

and at

2nd Floor, Building 3, 11 Alice Lane
Sandhurst
Sandton, 2196
(PO Box 650957, Benmore 2010)

COMPANY SECRETARY
Mark Nico Hattingh
6 Topaz Avenue
Lyttelton Manor Ext 3
Centurion 0157
(Postal address as above)

INDEPENDENT REPORTING ACCOUNTANTS AND AUDITORS
BDO South Africa Inc.
52 Corlett Drive, Wanderers Office Park
Illovo, 2196
(Private Bag X5, Northlands, 2116)

LEGAL ADVISOR
Hatting and Ndzabandzava Attorneys
6 Topaz Avenue
Lyttelton Manor Ext 3
Centurion 0157
(Postal address as above)

TABLE OF CONTENTS

The definitions and interpretations commencing on page 5 of this Circular apply *mutatis mutandis* to this table of contents.

ACTION REQUIRED BY SHAREHOLDERS

The definitions and interpretations commencing on page 5 of this Circular apply to this section of the Circular.

This Circular is important and requires your immediate attention. Please take careful note of the following provisions regarding the action required by Shareholders.

1. If you are in any doubt as to what action to take, please consult your CSDP, Broker, banker, attorney, accountant or other professional advisor immediately.

2. If you have disposed of all your Shares in CSG, please forward this Circular to the purchaser of such Shares or to the CSDP, Broker, banker or other agent through whom the disposal was effected.

3. A General Meeting will be held at 10h00 on Thursday, 17 September 2020 at CSG's offices, Equity Park, Block A, 257 Brooklyn Road, Brooklyn, Pretoria, at which General Meeting Shareholders will be requested to consider and, if deemed fit, to pass the resolutions set out in the Notice of General Meeting.

4. If you hold Certificated Shares or Dematerialised Shares and have selected Own-Name Registration:

4.1. You are entitled to attend the General Meeting in person and speak, vote or abstain from voting at the General Meeting.

4.2. Alternatively, you may appoint a proxy to represent you at the General Meeting by completing the attached Form of Proxy *(yellow)* in accordance with the instructions it contains and return it to the Transfer Secretaries to be received, by them preferably, for administrative purposes, by no later than 10h00 on Tuesday, 15 September 2020, provided that any Form of Proxy not delivered to the Transfer Secretaries by this time may be handed to the chairman of the General Meeting at any time before the appointed proxy exercises any Shareholder rights at the General Meeting.

5. If you hold Dematerialised Shares and have not selected Own-Name Registration:

5.1. If your CSDP or Broker has not contacted you, it would be advisable for you to contact your CSDP or Broker and furnish them with your voting instructions. This must be done in terms of the Custody Agreement concluded between you and your CSDP or Broker in the manner and time stipulated therein.

5.2. If your CSDP or Broker does not obtain voting instructions from you, they will be obliged to vote in accordance with the instructions contained in the Custody Agreement concluded between you and your CSDP or Broker.

5.3. In accordance with the Custody Agreement between you and your CSDP or Broker, you must advise your CSDP or Broker if you wish to attend or be represented at the General Meeting. Your CSDP or Broker will issue the necessary letter of representation for you to do so.

5.4. **You must not complete the attached Form of Proxy *(yellow)*.**

SALIENT DATES AND TIMES

The definitions and interpretations commencing on page 5 of this Circular apply *mutatis mutandis* to these salient dates and times.

	2020
Record date in order to be eligible to receive this Circular, including the Notice of General Meeting	Friday, 14 August
Circular distributed to Shareholders on	Thursday, 20 August
Announcement providing details of the Disposal, giving salient dates, advising of the distribution of this Circular and giving the date and place of the General Meeting released on SENS on	Thursday, 20 August
Above announcement published in the press on	Friday, 21 August
Last day to trade in Shares in order to be eligible to attend, participate in and vote at the General Meeting	Tuesday, 8 September
General Meeting Record Date in order to be eligible to attend, participate in and vote at the General Meeting	Friday, 11 September
For administrative purposes, last day for receipt of Forms of Proxy in respect of the General Meeting by 10h00 on	Tuesday, 15 September
Forms of Proxy not lodged with the Transfer Secretaries to be handed to the chairperson of the General Meeting, at any time before the proxy exercises any rights of the Shareholders at the General Meeting	Thursday, 17 September
General Meeting of Shareholders to be held at 10h00 on	Thursday, 17 September
Results of General Meeting released on SENS on	Thursday, 17 September
Results of General Meeting published in the press on	Friday, 18 September
Disposal expected to be implemented on or about	Wednesday, 30 September

Notes:

1. All of the above dates and times are subject to change. Any changes made will be notified to Shareholders on SENS.
2. Shareholders should note that, as transactions in shares are settled in the electronic settlement system used by Strate, settlement of trades takes place three Business Days after such trade. Therefore, persons who acquire Shares after the last day to trade in order to be eligible to vote at the General Meeting, namely, Tuesday, 8 September 2020 will not be able to vote thereat.
3. If the General Meeting is adjourned or postponed, Forms of Proxy submitted for the initial General Meeting will remain valid in respect of any such adjournment or postponement.
4. All times given in this Circular are local times in South Africa.

DEFINITIONS AND INTERPRETATIONS

In this Circular, unless the context indicates otherwise, reference to the singular shall include the plural and *vice versa,* words denoting one gender include the other, words and expressions denoting natural persons include juristic persons and associations of persons and the words and expressions in the first column have the meanings stated opposite to them in the second column.

"7Arrows"	7 Arrows Security Proprietary Limited, registration number 2015/208415/07, a limited liability private company duly incorporated in South Africa and a Wholly-Owned Subsidiary of CSG;
"7Arrows Business" or "Business"	the Armed Response and Monitoring Business and the Residential Guarding Business carried on by 7Arrows, including the Sale Assets and the Qualifying Client Contracts, certain employees and excluding the Excluded Assets and all liabilities of the Business (including contingent liabilities) arising prior to the Effective Date;
"Afriboom"	Afriboom Proprietary Limited with registration number 2001/024946/07, a private company incorporated in accordance with the laws of South Africa and a Wholly-Owned Subsidiary of CSG;
"Armed Response and Monitoring Business"	the armed response and monitoring business of 7Arrows which encompasses the provision of armed response and monitoring services;
"Armed Response and Monitoring Business Disposal Consideration"	the amount payable for the Armed Response and Monitoring Business under the Disposal Agreement, as set out in paragraph 2.5.2.1;
"Banked Date"	30 (thirty) days following on the Effective Date;
"BDM Management"	BDM Management Proprietary Limited with registration number 1996/013579/07, a private company incorporated in accordance with the laws of South Africa and a Wholly-Owned Subsidiary of CSG;
"Board" or "Directors"	the board of directors of CSG;
"Broker"	a "stockbroker" as defined in the Financial Markets Act, or its nominee;
"Business Day"	any day, other than a Saturday, Sunday or public holiday in South Africa;
"Certificated Shareholders"	holders of Certificated Shares;
"Certificated Shares"	Shares being "certificated securities" as defined in the Financial Markets Act and having accordingly not been Dematerialised, title to which are evidenced by Documents of Title;
"Circular"	this circular to Shareholders, dated 20 August 2020, including all annexures hereto;
"Companies Act"	Companies Act, No. 71 of 2008, as amended;
"Company Secretary"	the company secretary of CSG as appointed in terms of the Companies Act, from time to time, further particulars of which appear in the "Corporate Information" sector of this Circular;
"Conditions Precedent"	the conditions precedent to the Disposal as set out in paragraph 2.4 of this Circular;
"CSDP"	a Central Securities Depository Participant, accepted as a participant in terms of the Financial Markets Act, with whom a Shareholder holds a Dematerialised share account;
"CSG" or "the Company"	CSG Holdings Limited (registration number 2006/011359/06), a limited liability public company duly incorporated in South Africa and listed on the JSE;
"CSG Food Solutions"	CSG Food Solutions Proprietary Limited with registration number 1993/060002/07, a private company incorporated in accordance with the laws of South Africa and a Wholly-Owned Subsidiary of CSGc;
"CSG Group" or "Group"	CSG and its Subsidiaries from time to time;
"CSG Resourcings"	CSG Resourcings Proprietary Limited with registration number 1992/005475/07, a private company incorporated in accordance with the laws of the Republic;

"Custody Agreement"	a custody mandate agreement between a Shareholder and a CSDP or Broker, regulating their relationship in respect of Dematerialised Shares held on CSG's uncertificated securities register administered by a CSDP or Broker on behalf of that person;
"Deadline Date"	30 September 2020, or such later date as the Parties may agree in writing prior to such date;
"Dematerialise" or "Dematerialisation"	the process by which Certificated Shares are converted into an electronic format as Dematerialised Shares and recorded in CSG's uncertificated securities register administered by a CSDP;
"Dematerialised Shareholders"	Shareholders who hold Dematerialised Shares;
"Dematerialised Shares"	Shares which have been Dematerialised and incorporated into the Strate system and which are no longer evidenced by certificates or other physical Documents of Title;
"Disposal"	the disposal by the Company of the 7Arrow Business for the Disposal Consideration, as contemplated in the Disposal Agreement;
"Disposal Agreement"	the sale of business agreement concluded between 7Arrows and Fidelity ADT on or about 25 June 2020, in respect of the Disposal;
"Disposal Consideration"	the amount payable for the 7Arrows Business under the Disposal Agreement, as set out in paragraph 2.5;
"Documents of Title"	share certificates, certified transfer deeds, balance receipts or any other physical documents of title pertaining to the Shares in question, acceptable to the Board;
"Due Diligence Investigation"	the due diligence investigation conducted into the Business and the affairs of 7Arrows by Fidelity ADT and/or its representatives prior to the Signature Date;
"Effective Date"	the 1st (first) calendar day of the month following fulfilment of the Conditions Precedent, or such later date as the Parties may agree in writing prior to such date;
"Excluded Assets"	those assets of 7Arrows relating to the Business which are excluded from the Disposal, namely, debtors as at the Effective Date, firearms, motor vehicles, premises whether owned or leased and office furniture, uniforms and equipment not forming part of the Sale Assets;
"Fidelity ADT"	Fidelity ADT Monitoring Proprietary Limited, with registration number: 1996/017820/07, a private company duly incorporated in accordance with the laws of South Africa and a Wholly-Owned Subsidiary of CSG, or the FSG Subsidiary nominated in terms the Disposal Agreement;
"Financial Markets Act"	the Financial Markets Act, No 19 of 2012, as amended;
"Form of Proxy"	for purposes of the General Meeting, the form of proxy *(yellow)* for use only by Certificated Shareholders and Own-Name Dematerialised Shareholders;
"FSG"	Fidelity Services Group Proprietary Limited with (registration number 2002/030292/07), a private company incorporated in accordance with the laws of South Africa;
"General Meeting"	the general meeting of Shareholders to be held at 10h00 on Thursday, 17 September 2020 at CSG's offices, Equity Park, Block A, 257 Brooklyn Road, Brooklyn, Pretoria, convened in terms of the Notice of General Meeting;
"Hi-Tech Nelspruit"	Hi-Tech Nelspruit Proprietary Limited with registration number 2012/158412/07, a private company incorporated in accordance with the laws of South Africa and a Wholly-Owned Subsidiary of CSG;
"IFRS"	the international accounting standards within the meaning of the IAS Regulation 1606/2002;
"Independent Reporting Accountants" or "Auditors"	BDO South Africa Inc., the independent reporting accountant and auditor of the CSG Group, further particulars of which appear in the *"Corporate Information"* sector of this Circular;
"JSE"	the exchange, licensed under the Financial Markets Act, operated by the JSE Limited, registration number 2005/022939/06, a limited liability public company duly incorporated in South Africa;

"JSE Listings Requirements"	the Listings Requirements of the JSE in force as at the Last Practicable Date;
"Last Practicable Date"	the last practicable date before finalisation of this Circular, which date was Friday, 7 August 2020;
"MOI"	the memorandum of incorporation of CSG;
"MRR"	the aggregate recurring monthly revenue attributable to Qualifying Client Contracts, excluding any monthly revenue that is attributable to the Non-Qualifying Client Contracts;
"MRR Statement"	the statement reflecting the MRR for each of the periods referred to in paragraphs 2.5.5.1 and 2.5.6.1, to be prepared in accordance with the provisions of the Disposal Agreement;
"Non-Qualifying Client Contracts"	those Qualifying Clients that: i. have invoices outstanding for over 60 (sixty) days; ii. have indicated their intention to terminate their Qualifying Client Contract, which termination will take effect after the Signature Date; and/or iii. do not have clauses in their Qualifying Client Contracts which allow for the cession of such agreement to Fidelity ADT;
"Notice of General Meeting"	the notice of the General Meeting enclosed and forming part of this Circular;
"Obligors"	CSG, BDM Management, CSG Food Solutions, CSG Resourcings, Afriboom, Revert Risk Management Solutions and Hi-Tech Nelspruit as obligors in relation to the obligations of 7Arrows to and in favour of Fidelity ADT in terms of the Disposal as contemplated paragraphs 2.7.1 and 2.7.2 of the Circular;
"Own-Name Registration" or "Own-Name Dematerialised Shareholders"	Shareholders who hold Shares that have been Dematerialised and are recorded by the CSDP on the sub-register kept by that CSDP in the name of such Shareholder;
"PSG Capital" or "Sponsor"	PSG Capital Proprietary Limited, registration number 2006/015817/07, a limited liability private company duly incorporated in South Africa, further particulars of which appear in the *"Corporate Information"* sector of this Circular;
"Qualifying Client Contracts"	the contracts entered into between 7Arrows and Qualifying Clients for the provision of security services, as set out in the Disposal Agreement, which will form part of the Disposal;
"Qualifying Clients"	those clients of 7Arrows which have entered into Qualifying Client Contracts, as set out in the Disposal Agreement;
"Rand" or "R"	South African Rand;
"Register"	the register of Shareholders;
"Residential Guarding Business"	the Residential Guarding Business of Arrows which encompasses the provision of residential guarding services;
"Residential Guarding Business Disposal Consideration"	the amount payable for the Residential Guarding Business under the Disposal Agreement, as set out in paragraph 2.5.2.2;
"Revert Risk Management Solutions"	Revert Risk Management Solutions Proprietary Limited with registration number 1997/005499/07, a private company incorporated in accordance with the laws of South Africa and a Wholly-Owned Subsidiary of CSG;

"Sale Assets"	the assets of the Business forming part of the Disposal, comprising: i. alarm radios and transmitters relating to Qualifying Clients, fixed assets, certain radio signal relay and supporting equipment, certain usage agreements held by 7Arrows in respect of radio signal relaying facilities, certain service and usage agreements concluded between 7Arrows and a third party in respect of the provision of radio signal relaying facilities, any alarm systems that are owned by 7Arrows that may be leased to the Qualifying Clients; all personal information pertaining to the Qualifying Clients, control room equipment, license plate recognition cameras and telephone numbers utilized in the monitoring process; ii. all licenses, consents and/or registrations necessary to conduct Business, in so far as legally transferable; iii. other assets that are in Fidelity ADT's discretion related to or used in connection with the Business, subject to approval of 7Arrows; iv. 7Arrow's registered intellectual property; and v. any goodwill associated with the aforementioned;
"SENS"	the Stock Exchange News Service of the JSE;
"Shareholders" or "CSG Shareholders"	registered holders of Shares;
"Shares" or "CSG Shares"	ordinary no par value shares in the share capital of CSG and which shares are listed on the JSE;
"Signature Date"	25 June 2020;
"South Africa"	the Republic of South Africa;
"Strate"	Strate Proprietary Limited, registration number 1998/022242/07, a limited liability private company duly incorporated in South Africa, a central securities depository licensed in terms of the Financial Markets Act and responsible for the electronic clearing and settlement system provided to the JSE;
"Subsidiary"	a subsidiary as defined in the Companies Act;
"Transfer Secretaries" or "Link Market Services"	Link Market Services South Africa Proprietary Limited (registration number 2000/007239/07), a private company incorporated under the laws of South Africa, further particulars of which appear in the *"Corporate Information"* sector of this Circular; and
"Wholly-Owned Subsidiary"	a wholly owned subsidiary as defined in the Companies Act.

CSG HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2006/011359/06)
Share Code: CSG
ISIN ZAE000184438
("**CSG**")

Directors
Bulelani Thandabantu Ngcuka* *(Chairman)*
Petrus Johannes Jacobus Dry *(Chief executive officer)*
Jacobus Gerrit Nieuwoudt *(Chief operating officer)*
William Edward Scott (Chief financial officer)
Mathukana Mokoka*# (Lead independent Director)
Renganayagee Kisten*#
Nona Ndiliseka Sonjani*#

** Non-executive*
 # Independent

CIRCULAR TO CSG SHAREHOLDERS

1. INTRODUCTION AND PURPOSE OF THIS CIRCULAR

1.1. Shareholders are referred to the Company's cautionary announcement on SENS on 22 June 2020 and the further announcement released on SENS on 26 June 2020 advising that CSG had concluded the Disposal Agreement and that a circular would be distributed to Shareholders containing further details of the Disposal.

1.2. In terms of the Disposal, it is proposed that CSG, through its wholly owned subsidiary 7Arrows, disposes of the 7Arrows Business to Fidelity ADT.

1.3. The purpose of this Circular is to:

1.3.1 provide Shareholders with the requisite information in accordance with the JSE Listings Requirements regarding the Disposal so as to enable Shareholders to make an informed decision on how they will vote on the resolutions set out in the Notice of the General Meeting enclosed with this Circular; and

1.3.2 convene the General Meeting of Shareholders in order to pass such resolutions as are necessary to authorise and implement the Disposal.

2. DETAILS OF THE DISPOSAL

2.1. **Overview**

As mentioned above, in terms of the Disposal, CSG will dispose of the 7Arrows Business, being (i) Armed Response and Monitoring Business and (ii) the Residential Guarding Business carried on by 7Arrows, to Fidelity ADT for the Disposal Consideration.

2.2. **Rationale for the Disposal**

2.2.1 Following a thorough and robust interrogation of all parts of the organisation, the Board adopted a new and focused "business to business" strategy, which supports the overall long-term strategy of being the leading strategic outsourced partner for facilities management, security and risk solutions and staffing solutions.

2.2.2 As a result of the review of underlying operations, and considering the negative return on investment of the 7Arrows Business over the previous two years, certain of the 7Arrows business segments which comprises the 7Arrows Business were considered to be non-core to the future strategy of the Company and are being disposed of in terms of the Disposal. However, segments that fall within the ambit of new strategy will be consolidated within the Revert Risk Management Solutions security business.

2.2.3 It is the intention to wind up 7Arrows over a period of time following the implementation of the Disposal.

2.3. **Application of the Disposal Consideration**

The Disposal Consideration will be used to settle creditor liabilities in 7Arrows and thereafter the remaining proceeds of the Purchase Consideration will be used to reduce the Nedbank debt facilities in CSG.

2.4. **The Conditions Precedent**

2.4.1 The Disposal Agreement is subject to the fulfilment or waiver (as the case may be) of the following outstanding Conditions Precedent, by not later than 17h00 on the Deadline Date:

2.4.1.1. 7Arrows procuring the consent of all counterparties to certain of the Qualifying Client Contracts (to the extent required), if any, to the cession and assignment of such Qualifying Client Contracts to Fidelity ADT;

2.4.1.2. 7Arrows furnishing Fidelity ADT (to the extent such information has not been furnished to Fidelity ADT as at the Signature Date), with a Compliance Certificate from the Private Security Sector Provident Fund certifying that 7Arrows is duly compliant in all respects;

2.4.1.3. Fidelity ADT satisfying itself that no material adverse changes in the business, operations, assets, financial and/or trading position of 7Arrows or any other circumstance that may result in such a material adverse change, have occurred, subsequent to the date of conclusion of the Due Diligence Investigation;

2.4.1.4. Fidelity ADT not discovering any material risks not previously disclosed to it in writing; and

2.4.1.5. CSG providing Fidelity ADT with a resolution passed by the requisite majority of Shareholders in accordance with provisions of the JSE Listings Requirements.

2.4.2 Fidelity ADT will be entitled to waive fulfilment of the Conditions Precedent (but not including the Condition Precedent in paragraph 2.4.1.5). The date of fulfilment of the Conditions Precedent may be extended by the parties in writing, to the extent permissible in law.

2.4.3 Should any of the Conditions Precedent not be fulfilled or waived (to the extent permissible) by the due date for fulfilment or waiver thereof, the *status quo* will remain.

2.5. **The Disposal Consideration and Payment**

The present value of future payments amounts to R62.5 million and was calculated by discounting the future payments at 7.25% which is based on CSG's current cost of borrowing. The present value of the future payments is recognised as a profit on sale of the business.

2.5.1 The Disposal Consideration is an amount equal to the sum of R65 850 000 (sixty-five million eighty hundred and fifty thousand Rand), subject to adjustment, as set out in paragraphs 2.5.3 and 2.5.4 of this Circular.

2.5.2 The Disposal Consideration is allocated as follows:

2.5.2.1. R51 200 000 (fifty-one million and two hundred thousand Rand) allocated to the Armed Response and Monitoring Business; and

2.5.2.2. R14 650 000 (fourteen million six hundred and fifty thousand Rand) allocated to the Residential Guarding Business,

which amounts are subject to adjustment, as set out in paragraphs 2.5.3 and 2.5.4 of this Circular.

2.5.3 The metric used to determine the Disposal Consideration is the aggregate recurring monthly revenue attributable to Qualifying Client Contracts ("**MRR**"). The Disposal Consideration has been calculated based on MRR amounts agreed as at the Effective Date multiplied by an agreed price multiple of 16.772 in relation to the Armed Response and Monitoring Business and 3.372 in relation to the Residential Guarding Business, which 7Arrows expects to receive in relation to the Qualifying Client Contracts over particular periods following the Effective Date. The aforementioned periods being certain anniversaries of the Banked Date as set out in paragraphs 2.5.5 (in relation to the Armed Response and Monitoring Business) and 2.5.6 (in relation to the Residential Guarding Business).

2.5.4 Following the implementation of the Disposal Agreement on the Effective Date, in the event the relevant actual MRR received by Fidelity ADT over a relevant agreed period (as set out in paragraphs 2.5.5 and 2.5.6 below):

2.5.4.1. is less than the Effective Date MRR for that relevant period, the Disposal Consideration allocated to be paid in respect of that particular period shall be adjusted downward and Fidelity ADT shall only pay (or receive a credit note in respect of) the proportion of the actual received MRR for the relevant period as a percentage of the total Effective Date MRR (plus VAT), multiplied by the applicable multiple used for calculating the Effective Date MRR, less any Disposal Consideration payment(s) already paid for prior periods;

2.5.4.2. is greater than the Effective Date MRR for that relevant period, the Disposal Consideration allocated to be paid in respect of that particular period shall be adjusted upward on the basis consistent with paragraph 2.5.4.1, provided that 7Arrows is the effective cause for such increase in MRR over the relevant period.

2.5.5 Armed Response and Monitoring Business Disposal Consideration

2.5.5.1. Fidelity ADT shall settle the Armed Response and Monitoring Disposal Consideration as follows:

2.5.5.1.1 20% (twenty percent) of the Armed Response and Monitoring Disposal Consideration on or before the 30th (thirtieth) day following on the Banked Date;

2.5.5.1.2 32,5% (thirty-two comma five percent) of the Armed Response and Monitoring Disposal Consideration on or before the last day of the 3rd (third) calendar month following on the Banked Date;

2.5.5.1.3 10% (ten percent) of the Armed Response and Monitoring Disposal Consideration on or before the last day of the 6th (sixth) calendar month following on the Banked Date;

2.5.5.1.4 20% (twenty percent) of the Armed Response and Monitoring Disposal Consideration on or before the last day of the 12th (twelfth) calendar month following on the Banked Date;

2.5.5.1.5 8.75% (eight comma seven five percent) of the Armed Response and Monitoring Disposal Consideration on or before the last day of the 15th (fifteenth) calendar month following on the Banked Date; and

2.5.5.1.6 the balance of the Armed Response and Monitoring Disposal Consideration on or before the 25th (twenty fifth) calendar month following the Banked Date,

which shall be paid in cash via electronic funds transfer to bank account/s designated by CSG.

2.5.6 Residential Guarding Business Disposal Consideration

2.5.6.1. Fidelity ADT shall settle the Residential Guarding Business Disposal Consideration as follows:

2.5.6.1.1 10% (ten percent) of the Residential Guarding Business Disposal Consideration on or before the 30th (thirtieth) day following on the Banked Date;

2.5.6.1.2 25% (twenty-five percent) of the Residential Guarding Business Disposal Consideration on or before the last day of the 6th (sixth) calendar month following on the Banked Date;

2.5.6.1.3 40% (forty percent) of the Residential Guarding Business Disposal Consideration on or before the last day of the 12th (twelfth) calendar month following on the Banked Date; and

2.5.6.1.4 the balance of the Residential Guarding Business Disposal Consideration on or before the 25th (twenty fifth) calendar month following the Banked Date,

which shall be paid in cash via electronic funds transfer to bank account/s designated by CSG.

2.5.7 Non-Qualifying Client Contracts

In respect of the Non-Qualifying Client Contracts in relation to the Armed Response and Monitoring Business only, 7Arrows and/or Fidelity ADT shall attempt to rehabilitate such clients. In the event 7Arrows and/or Fidelity ADT successfully rehabilitate any such client, being the receipt by Fidelity ADT of 3 (three) debit order payments by any such client, Fidelity ADT will acquire such rehabilitated client contracts and pay to 7Arrows, the actual received MRR pertaining to such rehabilitated client contracts, multiplied by the price multiple applicable to the Armed Response and Monitoring Business of 16.772, in accordance with the payment intervals set out in paragraph 2.5.5 above) and the Purchase Consideration shall be increased accordingly.

2.6. **The effective date of the Disposal**

Delivery in respect of the Sale Assets will take place on the Effective Date, which is anticipated as being 30 September 2020.

2.7. **Other significant terms of the Disposal Agreement**

2.7.1 The Obligors (which includes CSG) have provided an irrevocable and unconditional guarantee to Fidelity ADT, as principal debtor and obligor, in respect of the complete performance and discharge by 7Arrows promptly when due, of all the duties, obligations, undertakings, warranties and liabilities of 7Arrows at any time under the Disposal Agreement ("**Guaranteed Obligations**")

2.7.2 The Obligors have, jointly and severally with 7Arrows, indemnified and held Fidelity ADT harmless against any and all loss, damages, claims, costs and other liabilities arising from, *inter alia*, any failure by 7Arrows to perform promptly and discharge when due, any and all of the Guaranteed Obligations.

2.7.3 Fidelity ADT is entitled but not obliged to take-over the employment contracts of specific employees of 7Arrows, subject to Fidelity ADT's election in writing by not later than 30 (thirty) business days prior to the Deadline Date. In respect of those employees which Fidelity ADT takes over, if any, 7Arrows shall remain liable for and settle all pre-Effective Date liabilities of such employees, if any. All of the Business employees not employed by Fidelity ADT shall be redeployed by 7Arrows.

2.7.4 Fidelity ADT is entitled to terminate the Disposal Agreement prior to the Effective Date on the happening of certain events, including but not limited to, a material adverse change occurring, Fidelity ADT becoming aware that a warranty (given by 7Arrows) is not true and correct in all respects or that a warrantee has been breached, 7Arrows being placed in liquidation or business rescue and/or the performance of any obligation of 7Arrows in terms of the Disposal Agreement becoming unlawful, invalid or unenforceable.

2.7.5 Fidelity ADT shall be entitled to nominate any Subsidiary of FSG, by not later than 7 (seven) days prior to the Effective Date, to substitute Fidelity ADT as purchaser in terms of the Disposal Agreements including all of Fidelity ADT's rights and obligations set out therein.

2.7.6 The Disposal Agreement further contains interim period undertakings, confidentiality and restraint provisions and warranties and indemnities that are customary for agreements of this nature.

2.8. **Categorisation of the Disposal**

2.8.1 In terms of the JSE Listings Requirements, as the disposal of the 7Arrows Business exceeds 30% of the Company's market capitalisation as at the date of the signature of the Disposal Agreement, it meets the definition of a category 1 transaction as contemplated in section 9 of the JSE Listings Requirements.

2.8.2 As a result, the General Meeting will be convened and an ordinary resolution in respect of the Disposal will be required to be approved by Shareholders at the General Meeting.

2.8.3 The Disposal is not made to a related party and there are accordingly no related party transaction implications in terms of the JSE Listings Requirements.

3. THE BUSINESS OF THE CSG GROUP (INCLUDING 7ARROWS)

CSG Group is a multi-disciplinary support services group offering a wide range of services in facilities, security & risk solutions, and staffing services in Southern Africa to an array of clients across a multitude of sectors/industries. At the core is good corporate governance combined with an innovative and adaptive corporate culture, sound knowledge and proven experience, underpinned by solid financial backing. The business of the CSG Group can be summarised into three distinct business divisions, as set out below.

3.1. **CSG Facilities: Facilities Management division**

3.1.1 The division offers the management of staff restaurants and supplying meals to students, patients in hospitals, corporate head offices, mines and construction sites. Specialised cleaning is performed in the hospitality, healthcare and commercial industries. It also offers remote site (camp) services which includes accommodation, catering, laundry, cleaning and maintenance. The CSG integrated services division provides the entire basket of services, one point of contact, one invoice.

3.1.2 **CSG Foods: Contract catering**

CSG Foods was established more than 20 years ago and offers contract catering to both the public and private sectors. The contract catering and food services include managing staff restaurants and supplying meals to students, patients in hospitals, corporate head offices, mines and construction sites.

3.1.3 **Significant Site Services (SSS): Remote site services and camp management**

Significant Site Services (SSS) became a division of CSG Foods effective 1 April 2019. SSS offers companies a complete solution for the construction and maintenance of their remote site facilities for the duration of a project's life cycle. SSS will tailor its range of services for each project's specific needs. From providing bespoke on-site facilities customised to fit the unique needs of employees to ongoing superior catering, housekeeping, procurement and administration services, SSS possesses vast experience in the industry and throughout Africa, enabling it to offer a personalised solution.

3.1.4 **CSG Afriboom: Hospitality and healthcare cleaning**

CSG Afriboom, founded in 2007, has an excellent track record as a cleaning company specialising in the hospitality and healthcare industries. During 2018, the group also acquired Industroserve to boost commercial cleaning and to increase its cleaning footprint into Mpumalanga.

3.1.5 **Global Industrial Projects: Customised industrial cleaning and mining support services**

The company has extensive experience in the cleaning of plants, mines and industrial sites, including conveyor systems, installations and maintenance. It maintains roads, gardens, villages and surrounding areas and offers customised ad hoc or permanent cleaning solutions for normal and abnormal spillages and debris. The plant cleaning division utilises appropriately customised, cost-effective and efficient systems and specialised equipment. The company operates a diverse range of equipment to suit a wide variety of different operations and client requirements.

3.2. **CSG Security: Security and Risk Solutions division**

3.2.1 The CSG security and risk solutions division focuses on providing a full suite of integrated security services to both residential and commercial clients, which includes safety surveillance and access control. The CSG security and risk solutions services are grouped together under “alarm monitoring and armed response” and “specialised security risk services”.

3.2.2 **7Arrows Security (including Stallion Reaction)**

7Arrows provides a full suite of security services and products to residential and commercial clients in Sandton and surrounding areas in Gauteng.

3.2.3 **Hi-Tech Group**

The Hi-Tech Group of companies was acquired on 1 November 2015. The business provides alarm installations, alarm monitoring and reaction services, CCTV installations and monitoring as well as guarding services to the Nelspruit area and surrounds and is the leading service provider in the Lowveld area.

3.2.4 **Revert Risk Management Solutions (Revert)**

Revert delivers multi-service security solutions including guarding, access control systems and technical Installations, CCTV on-site and off -site monitoring, security risk assessments, investigations and consulting, vehicle authentication, personnel and business vetting, and high-risk freight protection. In addition, a new centralised control room was created in Pretoria. It is expected to realise the benefit of these investments in infrastructure and operational capacity over the long term.

3.2.5 **Safety Adherence Technology (SAT)**

SAT was established in 1999 to develop an interactive electronic safety system to improve health and safety adherence. This digital, interactive electronic safety surveillance and record-keeping system operates from a single control room per area. Strategically placed scanners and various types of cameras relay the movements and activities of workmen to monitors in the control room and record entries and exits from confined spaces. The system is real-time, but activities are also recorded and stored to be studied later, should an incident occur. This approach system is both preventative and corrective in nature and is far more efficient and cost-effective than the system of “standbys”.

3.3. **CSG People: Staffing Solutions division**

3.3.1 The staffing solutions division includes the provision of temporary outsourced personnel, permanent placements, time keeping, payroll services, human resource and industrial relations services as well as outsourced services on a contracting basis.

3.3.2 The CSG skills institute offers extensive training solutions as well as a comprehensive broad-based black economic empowerment consulting service. The CSG vertical market approach to recruitment and superior market knowledge are key differentiators, which position CSG to assist its clients in meeting their transformation challenges in an exceptional turnaround time.

3.3.3 **CSG Resourcing: Temporary employment services**

BDM Staffing was established more than 20 years ago and specialises in temporary and outsourced contract staffing requirements. Through effective recruitment and screening processes, BDM Staffing supplies quality staff who integrate seamlessly into the existing client workforce. The company focuses on blue and grey collar staffing needs of clients in South Africa and Namibia and has a database of 24 000 potential unskilled, semi-skilled and skilled employees, including artisans. Different divisions within BDM Staffing specialise in industries ranging from mining through to logistics and warehousing to retail, hospitality and many more. Craft and job classification includes administrative personnel, managers, engineers, supervisors, foremen, technicians, artisans and semiskilled personnel.

3.3.4 **CSG Recruit: Permanent employment services**

CSG Recruit is a specialist recruitment organisation focusing specifically on recruitment in banking and financial services, engineering and supply chain, logistics and freight. ConinghamLee's market coverage means that it is ideally placed to meet the needs of both clients and candidates. The company works with a range of clients, from JSE-listed enterprises to smaller boutique houses, on permanent and contract placements.

3.3.5 **M&S Projects: Contract and permanent employment services**

M&S Projects was established in 1992 and specialises in permanent placements and the supply of contract personnel. Fields of expertise include the chemical and petrochemical industries, power generation, coal mining, major capital projects, safety and maintenance of industry-related equipment. The spectrum of craft and job classification ranges across administrative personnel, managers, engineers, supervisors, foremen, technicians, artisans and semi-skilled personnel. M&S Projects is effectively 51% black controlled.

3.3.6 **CSG Skills Institute: Training**

CSG Skills Institute is a professionally accredited training provider which satisfies the requirements of the new skills development legislation in South Africa and provides reliable services within the regulatory environment, ensuring the delivery of quality learning and maximum financial and strategic benefits for all levy-paying clients. The company is an experienced specialist service provider having successfully completed in excess of 9 000 national qualifications, assisting countless organisations in reaching B-BBEE and compliance objectives since 2001. The company's focus is to provide solutions to its clients, while increasing the productivity and effectiveness of employees through their quality learning experiences.

4. HISTORICAL FINANCIAL INFORMATION OF 7ARROWS

4.1. The historical financial information of 7Arrows for the financial years ended 31 March 2018, 31 March 2019 and 31 March 2020 are annexed hereto as **Annexure 1**.

4.2. Copies of the aforementioned consolidated historical financial information of CSG will also be available for inspection by Shareholders during normal business hours at the registered office of CSG and at the offices of PSG Capital from Thursday, 20 August 2020 until the date of the General Meeting (both days inclusive) and are also available on CSG's website (https://www.csgholdings.co.za/).

5. *PRO FORMA* FINANCIAL INFORMATION OF CSG

5.1. The *pro forma* financial effects of the Disposal, as set out in **Annexure 3**, are the responsibility of the Board. The *pro forma* financial effects are presented in a manner consistent with the basis on which the consolidated historical financial information of CSG has been prepared and in terms of CSG's accounting policies. The *pro forma* financial effects have been presented for illustrative purposes only and, because of their nature, may not fairly present CSG's financial position, changes in equity, results of operations or cash flows post the implementation of the Disposal.

5.2. The *pro forma* financial information of CSG has been prepared based on the assumption that the Disposal took place with effect from 1 April 2019 for purposes of the *pro forma* income statement and *pro forma* statement of comprehensive income, and on 31 March 2020 for purposes of the *pro forma* statement of financial position.

5.3. The report of the Independent Reporting Accountant in respect of the *pro forma* financial information appears in **Annexure 4** to this Circular.

6. INFORMATION RELATING TO THE CSG GROUP

6.1. Share capital

The authorised and issued share capital of CSG as at the Last Practicable Date, before and after the Disposal, is set out below:

Before and After	Number of Shares	Stated Capital R'000
Authorised		
Ordinary Shares of no par value	750 000 000	
Issued		
Ordinary shares of no par value	521 288 496	318 883
Treasury shares held by the CSG Share Incentive Trust	502 260	779
Treasury shares held by CSG subsidiary company	417 248	459

6.2. Major Shareholders and interests

6.2.1 As far as CSG is aware, as at the Last Practicable Date the following persons, other than Directors, are beneficially interested in 5% or more of the Shares in issue:

Name of Shareholder	Total number of Shares '000	Percentage of Shares in issue
PDT Investments Proprietary Limited	73 292	14.06
GTT Investments Proprietary Limited	72 380	13.88
PSG Alpha Investments Proprietary Limited	64 762	12.42
Barkomax Proprietary Limited	48 521	9.31
Vuwa Scaffolding Proprietary Limited	46 500	8.92
Gemcap Proprietary Limited	41 000	7.87
Total	**346 455**	**66.46**

Notes:

1. Mr PJJ Dry *(Chief executive officer)* is the sole shareholder of PDT Investments Proprietary Limited and holds 25% of the total issued ordinary share capital of Barkomax Proprietary Limited.
2. Mr BT Ngcuka *(Chairman)* holds 18% of the issued ordinary share capital shareholder of Barkomax Proprietary Limited.

6.2.2 There has been no change in any controlling Shareholder nor trading objects of CSG in the five years prior to the Last Practicable Date and there will be no change in the shareholding in CSG as a result of the Disposal.

6.3. Material changes

There have been no material changes in the financial or trading position of the CSG Group or 7Arrows since the publication of the reviewed consolidated financial results for the year ended 31 March 2020, until the Last Practicable Date.

6.4. Prospects

The Board is of the view that the business of the CSG Group has attractive growth prospects over the medium to long-term. The management team is well placed to take advantage of new opportunities that have already been identified as potential investments, and to continue to identify suitable new investment and growth opportunities.

6.5. Material Borrowings

6.5.1 The Disposal will not result in any change in the material borrowings of the CSG Group.

6.5.2 7Arrows does not have any material borrowings.

6.6. Material contracts

There have been no material contracts entered into either verbally or in writing by CSG or its Subsidiaries being restrictive funding arrangements and/or a contract entered into otherwise than in the ordinary course of the business carried on or proposed to be carried on by CSG and/or its Subsidiaries, save for the Disposal Agreement, within the two years preceding the date of this Circular, or concluded at any time, and which contain an obligation or settlement that is material to CSG and/or its Subsidiaries at the date of this Circular.

6.7. Acquisition of material assets

No material assets have been acquired by the CSG Group during the last three years preceding the date of this Circular.

7. INFORMATION RELATING TO DIRECTORS

7.1. Directors' interests in the issued Shares of CSG

The table below sets out the direct and indirect beneficial interests of the Directors (and their associates), including any directors who may have resigned during the last 18 months, in CSG's issued share capital as at the Last Practicable Date:

Director	Direct Beneficial '000	Indirect Beneficial '000	Total '000	% Held
Bulelani Thandabantu Ngcuka *(Chairman)*	–	8 477	8 477	1.62
Petrus Johannes Jacobus Dry *(Chief executive officer)*	1 529	85 422	86 951	16.68
Jacobus Gerrit Nieuwoudt *(Chief operating officer)*	–	21 431	21 431	4.11
William Edward Scott *(Chief financial officer)*	–	–	–	–
Mathukana Mokoka *(Lead independent Director)*	–	–	–	–
Renganayagee Kisten	80	–	80	0.01
Nona Ndiliseka Sonjani	–	–	–	–
Total	**1 609**	**115 330**	**116 939**	**22.43**

Note:

Nathan-Lee Ramages resigned from the Board on 26 February 2020 and did not hold any Shares in the Company.

7.2. Directors' remuneration

The remuneration of the Directors will not be varied as a result of the Disposal.

7.3. Directors' Interests in the Disposal

7.3.1 Save for being a Shareholder of CSG, no Director (including any person who may have resigned as a director within the last 18 months) has any material beneficial interest, directly or indirectly in the Disposal or in any transactions that were:

7.3.1.1. effected by CSG during the current or immediately preceding financial year; or

7.3.1.2. during an earlier financial year and remain in any respect outstanding or unperformed.

7.4. Service contracts of executive Directors

7.4.1 Each of the executive Directors has concluded service contracts with terms and conditions that are standard for such appointments, which are available for inspection in terms of paragraph 15 below.

7.4.2 The duration of each executive Director's appointment is determined by the service contracts referred to in paragraph 7.4.1 above, whilst the duration of the appointment of non-executive Directors is determined by the MOI which is also available for inspection in terms of paragraph 15 below.

8. WORKING CAPITAL STATEMENT

The Directors are of the opinion that the working capital available to the CSG Group is sufficient for the CSG Group's present working capital requirements and will, post-implementation of the Disposal be adequate for at least 12 months from the date of issue of this Circular.

9. LITIGATION STATEMENT

There are no legal or arbitration proceedings (including any such proceedings that are pending or threatened) of which the Company is aware, which may have or have over the previous 12 months had a material effect on the financial position of the CSG Group or 7Arrows.

10. EXPENSES

The estimated costs of preparing and distributing this Circular, holding the General Meeting and implementing the Disposal, including the fees payable to professional advisors, are approximately R675 000, excluding Value Added Tax (where applicable), and include the following:

		R'000
Corporate advisor and Sponsor	PSG Capital	250
JSE documentation fees	JSE	62
Independent Reporting Accountants	BDO	225
Legal Advisor	Hatting and Ndzabandzava Attorneys	25
Printing, publication, distribution and advertising expenses	Purple Frog	69
Contingency		44
Total		**675**

Notes:

1. Other than as set out above, CSG has incurred no preliminary expenses in relation to the Disposal during the three years preceding this Circular.

11. GENERAL MEETING AND VOTING

11.1. A General Meeting of Shareholders will be held at 10h00 on Thursday, 17 September 2020 at CSG's offices, Equity Park, Block A, 257 Brooklyn Road, Brooklyn, Pretoria, to consider and, if deemed fit, to pass, with or without modification, the requisite resolutions required to give effect to the Disposal.

11.2. A notice convening the General Meeting is attached hereto and forms part of this Circular and contains the resolutions to be considered at the General Meeting. Full details of the action required by Shareholders are set out in the "*Action required by Shareholders*" section of this Circular.

11.3. The ordinary resolutions relating to the Disposal set out in the Notice of General Meeting is subject to more than 50% of the votes cast by the Shareholders, present in person or represented by proxy at the General Meeting, being cast in favour thereof.

12. OPINIONS AND BOARD'S RECOMMENDATION

12.1. The Board has considered the terms and conditions of the Disposal and the resolutions and is of the opinion that they are in the interests of Shareholders.

12.2. The Directors recommend that Shareholders vote in favour of the resolutions to be proposed at the General Meeting.

12.3. The Directors, in their personal capacities, intend to vote the Shares held by them in favour of the resolutions to be proposed at the General Meeting.

13. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, whose names are given in the "*Corporate Information*" section of this Circular collectively and individually accept full responsibility for the accuracy of the information furnished relating to the CSG Group 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 this Circular contains all information required by law and the JSE Listings Requirements.

14. ADVISORS' CONSENTS

Each of the advisors, whose names appear on the "*Corporate Information*" section of this Circular, have consented in writing to act in the capacities stated and to the inclusion of their names and, where applicable, to the inclusion of their reports in this Circular in the form and context in which they appear and have not withdrawn their consents prior to the publication of this Circular.

15. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, will be available for inspection by Shareholders during normal business hours at the registered office of CSG and at the offices of the Sponsor from the date of posting of this Circular, until the date of the General Meeting (both days inclusive):

15.1. the MOI of CSG;

15.2. Historical financial information of 7Arrows for the financial years ended 31 March 2020, 31 March 2019 and 31 March 2018 as set out in **Annexure 1**;

15.3. Independent Reporting Accountant's report on historical financial information of 7Arrows for the financial years ended 31 March 2020, 31 March 2019 and 31 March 2018 as set out in **Annexure 2**;

15.4. *Pro forma* financial information of the CSG Group as set out in **Annexure 3**;

15.5. Independent Reporting Accountant's assurance report on the *pro forma* financial information of the CSG Group as set out in **Annexure 4**;

15.6. the Disposal Agreement;

15.7. the written consents from each of the advisors referred to in paragraph 14;

15.8. the executive Directors' service contracts entered into in the three years preceding the Last Practicable Date; and

15.9. a copy of this Circular and all annexures hereto.

SIGNED AT PRETORIA ON 18 AUGUST 2020 BY PETRUS JOHANNES JACOBUS DRY ON BEHALF OF ALL THE DIRECTORS OF CSG HOLDINGS LIMITED, IN TERMS OF POWERS OF ATTORNEYS SIGNED BY SUCH DIRECTORS

Petrus Johannes Jacobus Dry
(Chief executive officer)

Bulelani Thandabantu Ngcuka* *(Chairman)*
Petrus Johannes Jacobus Dry *(Chief executive officer)*
Jacobus Gerrit Nieuwoudt *(Chief operating officer)*
William Edward Scott (Chief financial officer)
Mathukana Mokoka*# (Lead independent Director)
Renganayagee Kisten*#
Nona Ndiliseka Sonjani*#

** Non-executive*
 # Independent

HISTORICAL FINANCIAL INFORMATION OF 7ARROWS FOR THE FINANCIAL YEARS ENDED 31 MARCH 2020, 31 MARCH 2019 AND 31 MARCH 2018

INTRODUCTION

In terms of the Disposal, CSG will be disposing of the Sale Assets and the Qualifying Client Contracts as well as transferring certain employees to Fidelity ADT. Given that all revenue will be disposed of as part of the Disposal and the intention to wind up 7Arrows Security Proprietary Limited ("**7Arrows**") over a period of time, it is relevant to disclose the full historic financial information in this Circular.

The historical financial information of 7Arrows set out below has been extracted from the audited annual financial statements of 7Arrows for the years ended 31 March 2018, 31 March 2019 and 31 March 2020.

The annual financial statements were audited by BDO South Africa.

BDO South Africa expressed an unmodified audit opinion with a material uncertainty related to going concern included on the annual financial statements for the year ended 31 March 2020 and an unqualified audit opinion on the annual financial statements for the year ended 31 March 2019.

In addition, BDO South Africa expressed a qualified audit opinion on the annual financial statements for the year ended 31 March 2018, Details of the qualification are that the company changed its operating system during the 2018 financial period. Prior to the change-over to the new system, the client did not have adequate internal controls to ensure all revenue was recorded for the financial year. The auditor was unable to obtain sufficient appropriate audit evidence to substantiate the completeness of revenue recorded in the Statement of Profit or Loss and Other Comprehensive Income. As a consequence, the auditor was unable to determine whether any adjustments were required to the financial statements arising from the lack of sufficient appropriate audit evidence over the completeness of revenue

The Historical Financial Information Of 7Arrows for the financial years ended 31 March 2020, 31 March 2019 And 31 March 2018 should be read together with the Independent Reporting Accountant's Report included as Annexure 2.

The historical financial information of 7Arrows is the responsibility of the Directors of 7Arrows.

The historical financial information of 7Arrows for the years ended 31 March 2018, 31 March 2019 and 31 March 2020 were authorised for issue on 11 August 2020 by the Board of Directors.

No material changes in the nature of the business of 7Arrows, and no material fact or circumstance has occurred between the end of the latest financial year of 7Arrows and the date of the historical financial information.

DIRECTORS'REPORT

1. REVIEW OF FINANCIAL RESULTS AND ACTIVITIES

The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. The accounting policies have been applied consistently compared to the prior year except for the adoption of IFRS 16 Leases.

Full details of the financial position, results of operations and cash flows of the company are set out in these financial statements.

2. SHARE CAPITAL

There have been no changes to the authorised or issued share capital during the year under review.

3. DIVIDENDS

No dividends were declared or paid to the shareholders during the year under review.

4. DIRECTORATE

The director in office at the date of this report are as follows:

Director	Changes
VC Tortora	Appointed 17 June 2020
RM Moses	Resigned 17 June 2020
J Mordecai	Resigned 31 October 2019

5. PROPERTY, PLANT AND EQUIPMENT

There was no change in the nature of the property, plant and equipment of the company or in the policy regarding their use. At 31 March 2020 the company's investment in property, plant and equipment amounted to R2 725 988 (2019: R8 053 373; 2018: R9 237 848), of which R663 923 (2019: R2378 068; 2018: R8 235 470) was added in the current year through additions.

6. HOLDING COMPANY

The company's holding company is CSG Holdings Limited which holds 100% (2019: 100%; 2018: 100%) of the company's equity. CSG Holdings Limited is incorporated in South Africa.

7. EVENTS AFTER THE REPORTING PERIOD

The director is not aware of any material event which occurred after the reporting date and up to the date of this report, other than the sale of a material part of the armed response and guarding contracts as noted in the going concern note above.

8. GOING CONCERN

We draw attention to the fact that at 31 March 2020, the company had accumulated losses of R(153 883 110) and that the company's total liabilities exceed its assets by R(153 883 010).

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

The ability of the company to continue as a going concern is dependent on a number of factors. The most significant of these is the successful completion of all conditions precedent in the sale agreement with Fidelity ADT Monitoring Proprietary Limited.

The company will dispose of a specified part of it's armed response and monitoring business and a specified part of the residential guarding business for a consideration of R65,85 million with the effective date anticipated to be 1 September 2020. In addition the loan with CSG Holdings Limited (holding company) of R131 325 139 (refer note 15) can not be called upon.

The material uncertainty relating to the events and conditions described above may cast significant doubt on the company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business

9. AUDITORS

BDO South Africa Inc continued in office as auditors for the company for 2020.

10. SECRETARY

The company has no company secretary.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	Notes	2020 R	2019 R	2018 R
Assets				
Non-current assets				
Property, plant and equipment	4	2 725 988	8 053 373	9 237 848
Right-of-use assets	6	5 563 368	–	–
Goodwill	7	–	–	58 773 376
Intangible assets	8	4 632 363	–	21 950 756
Deferred tax	10	13 570 032	239 257	–
		26 491 751	**8 292 630**	**89 961 980**
Current assets				
Inventories	11	352 201	553 432	512 215
Loans to group companies	9	997 325	32 012	–
Trade and other receivables	12	6 730 108	23 731 053	13 790 269
Current tax receivable		695 549	695 549	155 030
Cash and cash equivalents	13	979 425	1 085 263	492 342
		9 754 608	**26 097 309**	**14 949 856**
Total assets		**36 246 359**	**34 389 939**	**104 911 836**
Equity and liabilities				
Equity				
Share capital	14	100	100	100
Accumulated loss		(153 883 110)	(112 039 370)	(7 045 824)
		(153 883 010)	**(112 039 270)**	**(7 045 724)**
Liabilities				
Non-current liabilities				
Lease liabilities	5	1 225 482	493 070	2 991 369
Deferred tax	10	–	–	2 896 362
		1 225 482	**493 070**	**5 887 731**
Current liabilities				
Trade and other payables	16	41 074 199	35 095 435	18 344 211
Loans from group companies	15	145 377 604	106 776 165	85 168 985
Lease liabilities	5	2 452 084	1 963 486	2 294 946
Bank overdraft	13	–	2 101 053	261 687
		188 903 887	**145 936 139**	**106 069 829**
Total liabilities		**190 129 369**	**146 429 209**	**111 957 560**
Total equity and liabilities		**36 246 359**	**34 389 939**	**104 911 836**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2020 R	2019 R	2018 R
Revenue	17	150 127 660	162 050 668	128 749 221
Cost of sales		(146 733 899)	(102 258 946)	(90 566 103)
Gross profit		**3 393 761**	**59 791 722**	**38 183 118**
Other operating income	18	12 132 084	1 476 909	1 982 124
Other operating gains/(losses)	19	(407 093)	174 711	(346 155)
Movement in credit loss allowances	20	(14 118 927)	(25 858 952)	(6 110 455)
Other operating expenses		(54 548 339)	(139 262 369)	(39 940 063)
Operating loss	**20**	**(53 548 514)**	**(103 677 979)**	**(6 231 431)**
Investment income		–	11 549	21 756
Finance costs	21	(1 626 002)	(3 942 685)	(1 241 210)
Loss before taxation		**(55 174 516)**	**(107 609 115)**	**(7 450 885)**
Taxation	22	13 330 775	3 256 041	1 196 455
Loss for the year		**(41 843 741)**	**(104 353 074)**	**(6 254 430)**
Other comprehensive income		–	–	–
Total comprehensive loss for the year		**(41 843 741)**	**(104 353 074)**	**(6 254 430)**

STATEMENT OF CHANGES IN EQUITY

	Share capital R	Accumulated loss R	Total equity R
Opening balance as previously reported	100	(7 045 824)	(7 045 724)
Adjustments			
Change in accounting policy	–	(640 472)	(640 472)
Balance at 1 April 2018 as restated	**100**	**(7 686 296)**	**(7 686 196)**
Loss for the year	–	(104 353 074)	(104 353 074)
Other comprehensive income	–	–	–
Total comprehensive loss for the year	**–**	**(104 353 074)**	**(104 353 074)**
Balance at 1 April 2019	**100**	**(112 039 369)**	**(112 039 269)**
Loss for the year	–	(41 843 741)	(41 843 741)
Other comprehensive income	–	–	–
Total comprehensive loss for the year	**–**	**(41 843 741)**	**(41 843 741)**
Balance at 31 March 2020	**100**	**(153 883 110)**	**(153 883 010)**
Notes	14		

STATEMENT OF CASH FLOWS

	Notes	2020 R	2019 R	2018 R
Cash flows from operating activities				
Cash used in operations	23	(29 527 099)	(12 914 860)	(1 555 094)
Interest income		–	11 549	21 756
Finance costs		(1 192 431)	(3 150 434)	(870 836)
Tax paid	24	–	(540 519)	(117 434)
Net cash from operating activities		**(30 719 530)**	**(16 594 264)**	**(2 521 608)**
Cash flows from investing activities				
Purchase of property, plant and equipment	4	(663 923)	(2 378 068)	(2 796 134)
Sale of property, plant and equipment	4	(25 152)	722 859	509 832
Business combinations	26	–	(950 130)	(9 103 477)
Loans advanced/(repaid) to group companies		(965 313)	(32 012)	498 231
Sale of right-of-use assets	6	381 223	–	–
Net cash from investing activities		**(1 273 165)**	**(2 637 351)**	**(10 891 548)**
Cash flows from financing activities				
Proceeds from loans from group companies	25	45 474 937	21 607 180	14 730 346
Repayment of loans from group companies	25	(6 873 498)	–	–
Payment on lease liabilities	25	(4 613 530)	(3 622 010)	(1 963 507)
Net cash from financing activities		**33 987 909**	**17 985 170**	**12 766 839**
Total cash movement for the year		**1 995 214**	**(1 246 445)**	**(646 317)**
Cash at the beginning of the year		(1 015 789)	230 655	876 972
Total cash at end of the year	**13**	**979 425**	**(1 015 790)**	**230 655**

ACCOUNTING POLICIES

CORPORATE INFORMATION

7Arrows Security Proprietary Limited is a private company incorporated and domiciled in South Africa.

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

1.1 Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and the Companies Act of South Africa of South Africa, as amended.

The financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the company's functional currency.

These accounting policies are consistent with the previous period.

1.2 Business combination

The group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

Any contingent consideration is included in the cost of the business combination at fair value as at the date of acquisition. Subsequent changes to the assets, liability or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments. Otherwise, all subsequent changes to the fair value of contingent consideration that is deemed to be an asset or liability is recognised in either profit or loss or in other comprehensive income, in accordance with relevant IFRS's. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held For Sale and Discontinued Operations, which are recognised at fair value less costs to sell.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the acquiree's assets and liabilities are reassessed in terms of classification and are reclassified where the classification is inappropriate for group purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree. If, in the case of a bargain purchase, the result of this formula is negative, then the difference is recognised directly in profit or loss.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

Goodwill arising on acquisition of foreign entities is considered an asset of the foreign entity. In such cases the goodwill is translated to the functional currency of the group at the end of each reporting period with the adjustment recognised in equity through to other comprehensive income.

1.3 Significant judgements and sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Key sources of estimation uncertainty

Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

Impairment testing

The company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

Useful lives of property, plant and equipment

Management assess the appropriateness of the useful lives of property, plant and equipment at the end of each reporting period. The useful lives of motor vehicles, furniture and computer equipment are determined based on company replacement policies for the various assets. Individual assets within these classes, which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of normal replacement parameters. The useful life of manufacturing equipment is assessed annually based on factors including wear and tear, technological obsolescence and usage requirements.

When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

1.4 Property, plant and equipment

Property, plant and equipment are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Branding and signage	Straight line	5 years
Furniture and fixtures	Straight line	6 years
Motor vehicles	Straight line	5 years
Computer equipment	Straight line	3 years
Security equipment and firearms	Straight line	5 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.5 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

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

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

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

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

Item	Depreciation method	Average useful life
Brand names	Straight line	Indefinite
Customer lists	Straight line	5 years

1.6 Financial instruments

Financial instruments held by the company are classified in accordance with the provisions of IFRS 9 Financial Instruments. Broadly, the classification possibilities, which are adopted by the company ,as applicable, are as follows:

Financial assets which are debt instruments:

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows)

Financial liabilities:

- Amortised cost

Note 29 Financial instruments and risk management presents the financial instruments held by the company based on their specific classifications.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the company are presented below:

Loans receivable at amortised cost

Classification

Loans to group companies (note 9) are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because the contractual terms of these loans give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on these loans.

Recognition and measurement

Loans receivable are recognised when the company becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the loan initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment

The company recognises a loss allowance for expected credit losses on all loans receivable measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans.

The company measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12 month expected credit losses (12 month ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date.

In order to assess whether to apply lifetime ECL or 12 month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the company considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a loan being credit impaired at the reporting date or of an actual default occurring.

Significant increase in credit risk

In assessing whether the credit risk on a loan has increased significantly since initial recognition, the company compares the risk of a default occurring on the loan as at the reporting date with the risk of a default occurring as at the date of initial recognition.

The company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information.

Irrespective of the outcome of the above assessment, the credit risk on a loan is always presumed to have increased significantly since initial recognition if the contractual payments are more than 30 days past due, unless the company has reasonable and supportable information that demonstrates otherwise.

By contrast, if a loan is assessed to have a low credit risk at the reporting date, then it is assumed that the credit risk on the loan has not increased significantly since initial recognition.

The company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increases in credit risk before the amount becomes past due.

Definition of default

For purposes of internal credit risk management purposes, the company consider that a default event has occurred if there is either a breach of financial covenants by the counterparty, or if internal or external information indicates that the counterparty is unlikely to pay its creditors in full (without taking collateral into account).

Irrespective of the above analysis, the company considers that default has occurred when a loan instalment is more than 90 days past due unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Write off policy

The company writes off a loan when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Loans written off may still be subject to enforcement activities under the company recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default, taking the time value of money into consideration.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. The exposure at default is the gross carrying amount of the loan at the reporting date.

Lifetime ECL is measured on a collective basis in cases where evidence of significant increases in credit risk are not yet available at the individual instrument level. Loans are then grouped in such a manner that they share similar credit risk characteristics, such as nature of the loan, external credit ratings (if available), industry of counterparty etc.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the company measures the loss allowance at an amount equal to 12 month ECL at the current reporting date, and visa versa.

An impairment gain or loss is recognised for all loans in profit or loss with a corresponding adjustment to their carrying amount through a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance (note 20).

Credit risk

Details of credit risk related to loans receivable are included in the specific notes and the financial instruments and risk management (note 29).

Derecognition

Refer to the “derecognition” section of the accounting policy for the policies and processes related to derecognition.

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 12).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company’s business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment

The company recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The company measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Measurement and recognition of expected credit losses

The company makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix is presented in note 12.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance (note 20).

Write off policy

The company writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the company recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Credit risk

Details of credit risk are included in the trade and other receivables note (note 12) and the financial instruments and risk management note (note 29).

Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

Borrowings and loans from related parties

Classification

Loans from group companies (note 15) are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

Borrowings and loans from related parties are recognised when the company becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs (note 21.)

Borrowings expose the company to liquidity risk and interest rate risk. Refer to note 29 for details of risk exposure and management thereof.

Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

Trade and other payables

Classification

Trade and other payables (note 16), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note 29 for details of risk exposure and management thereof.

Derecognition

Refer to the "derecognition" section of the accounting policy for the policies and processes related to derecognition.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

Bank overdrafts

Bank overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Derecognition

Financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The company derecognises financial liabilities when, and only when, the company obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

1.7 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.8 Leases

The company assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the company has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

Company as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the company is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the company recognises the lease payments as an operating expense (note 20) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

However as an exception to the preceding paragraph, the company has elected not to separate the non-lease components for leases of land and buildings.

Details of leasing arrangements where the company is a lessee are presented in note 5 Leases (company as lessee).

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the company under residual value guarantees;
- the exercise price of purchase options, if the company is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses (note 5).

The lease liability is presented as a separate line item on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs (note 21).

The company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the company will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate;
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets

Right-of-use assets are presented as a separate line item on the Statement of Financial Position.

Lease payments included in the measurement of the lease liability comprise the following:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the company incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

For right-of-use assets which are depreciated over their useful lives, the useful lives are determined consistently with items of the same class of property, plant and equipment. Refer to the accounting policy for property, plant and equipment for details of useful lives.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

1.9 Leases (Comparatives under IAS 17)

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

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

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases – lessee

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

1.10 Inventories

Inventories are measured at the lower of cost and net realisable value on the first-in-first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

When inventories are sold, the carrying amount of those inventories are recognised as an expense 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 recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Impairment of assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the company also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.12 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the company in which they are declared.

1.13 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.

1.14 Revenue from contracts with customers

The company recognises revenue from the following major sources:

- Provision of security services

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue when it transfers control of a product or service to a customer.

Provision of security services

To determine whether to recognise revenue, the Company follows a 5 step process:

1. identifying the contract with customer
2. identifying the performance obligation
3. determining the transaction price
4. allocating the transaction price to the performance obligation
5. recognising revenue when/as performance obligations are satisfied

Revenue is therefore recognised:

1. to the extent that it is probable that the performance obligations are satisfied, the customer obtains control of the services and will result in revenue; and
2. that it is capable of being reliably measured.

While IFRS 15 represents significant new guidance, management's assessment indicated that the contract's performance obligations and related contract costs are satisfied over time and that the method used to measure the progress towards completion of the contract will continue to be appropriate under IFRS 15.

The majority of revenue from these services is recognised on a transaction basis as the services are provided.

Where the company provides services to customers in exchange for a fixed monthly fee, revenue is recognised on a straightline basis over the term of each contract. As the amount of work required to perform under these contracts does not vary significantly from month-to-month, the straight-line method provides an accurate depiction of the transfer of goods or services.

There is a fixed unit price for each service delivered. Therefore, there is no judgement involved in allocating the contract price to each service provided.

Customers are invoiced at the end of each month in both cases. Invoices for services transferred are due upon receipt by the customer.

As the period of time between customer payment and performance will always be one year or less, the company applies the practical expedient and does not adjust the promised amount of consideration for the effects of financing.

1.15 Borrowing costs

All borrowing costs are recognised as an expense in the period in which they are incurred.

2. CHANGES IN ACCOUNTING POLICY

The financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

Application of IFRS 16 Leases

In the current year, the company has adopted IFRS 16 Leases (as issued by the IASB in January 2016) with the date of initial application being 1 April 2019. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in the accounting policy for leases. The impact of the adoption of IFRS 16 on the company's financial statements is described below.

The company has applied the practical expedient available in IFRS 16 which provides that for contracts which exist at the initial application date, an entity is not required to reassess whether they contain a lease. This means that the practical expedient allows an entity to apply IFRS 16 to contracts identified by IAS 17 and IFRIC 4 as containing leases; and to not apply IFRS 16 to contracts that were not previously identified by IAS 17 and IFRIC 4 as containing leases.

IFRS 16 has been adopted by applying the modified retrospective approach, whereby the comparative figures are not restated. Instead, cumulative adjustments to retained earnings have been recognised in retained earnings as at 1 April 2019.

Leases where company is lessee

Leases previously classified as operating leases

The company undertook the following at the date of initial application for leases which were previously recognised as operating leases:

- recognised a lease liability, measured at the present value of the remaining lease payments, discounted at the company's incremental borrowing rate at the date of initial application.
- recognised right-of-use assets measured on a lease by lease basis, at either the carrying amount (as if IFRS 16 applied from commencement date but discounted at the incremental borrowing rate at the date of initial application) or at an amount equal to the lease liability adjusted for accruals or prepayments relating to that lease prior to the date of initial application.

The company applied IAS 36 to consider if these right-of-use assets are impaired as at the date of initial application.

As an exception to the above, no adjustments were made on initial application of IFRS 16 for leases previously classified as operating leases:

- for which the underlying asset is of low value. From the date of initial application, these leases are accounted for in accordance with paragraph 6 of IFRS 16 by recognising the lease payments on a straight-line basis or another systematic basis which is more representative of the pattern of benefits consumed;

The company applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases in terms of IAS 17. Where necessary, they have been applied on a lease by lease basis:

- when a portfolio of leases contained reasonably similar characteristics, the company applied a single discount rate to that portfolio;
- leases which were expiring within 12 months of 1 April 2019 were treated as short term leases, with remaining lease payments recognised as an expense on a straight-line basis or another systematic basis which is more representative of the pattern of benefits consumed;
- initial direct costs were excluded from the measurement of right-of-use assets at the date of initial application.
- hindsight was applied where appropriate. This was specifically the case for determining the lease term for leases which contained extension or termination options.

Leases previously classified as finance leases

For leases that were classified as finance leases applying IAS 17, the company measured the carrying amount of the right-of-use asset and the lease liability at the date of initial application as the carrying amount of the leased asset and lease liability immediately before that date measured applying IAS 17. For those leases, the company accounts for the right-of-use asset and the lease liability applying IFRS 16 from the date of initial application.

Impact on financial statements

On transition to IFRS 16, the company recognised an additional R1 955 966 of right-of-use assets and R1 955 966 of lease liabilities. No lease smoothing was previously accounted for as this amount was immaterial. Refer below reconciliation for impact at acquisition date of 1 April 2019.

When measuring lease liabilities, company discounted lease payments using its incremental borrowing rate at 1 April 2019. The weighted average rate applied is 10%.

	1 April 2019 R
Reconciliation of previous operating lease commitments to lease liabilities under IFRS 16	
Operating lease commitment at 31 March 2019 as previously disclosed	1 193 616
Discounted using the incremental borrowing rate at 1 April 2019	944 871
Add finance lease liabilities recognised as at 31 March 2019	2 456 556
Add extension and termination options reasonably certain to be exercised	1 011 095
Lease liabilities recognised at 1 April 2019	**4 412 522**
Reconciliation of previous financed property, plant and equipment to right-of-use assets under IFRS 16	
Property, plant and equipment recognised as at 31 March 2019	8 053 373
Assets encumbered as security under long term borrowings	(3 773 012)
	4 280 361

3. NEW STANDARDS AND INTERPRETATIONS

3.1 Standards and interpretations effective and adopted in the current year

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

Standard/Interpretation:	**Effective date: Years beginning on or after**	**Expected impact:**
• FRS 16 Leases	1 January 2019	The impact of the standard is set out in note 2 Changes in accounting policy.

3. NEW STANDARDS AND INTERPRETATIONS continued

3.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 1 April 2020 or later periods:

Presentation of financial statements: Disclosure initiative

The amendment clarifies and aligns the definition of 'material' and provides guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The effective date of the amendment is for years beginning on or after 1 January 2020.

The company expects to adopt the amendment for the first time in the 2021 financial statements.

It is unlikely that the amendment will have a material impact on the company's financial statements.

Accounting policies, changes in accounting estimates and errors: Disclosure initiative

The amendment clarifies and aligns the definition of 'material' and provides guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The effective date of the amendment is for years beginning on or after 1 January 2020.

The company expects to adopt the amendment for the first time in the 2021 financial statements.

It is unlikely that the amendment will have a material impact on the company's financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

	2020			2019		
	Cost R	Accumulated depreciation R	Carrying value R	Cost R	Accumulated depreciation R	Carrying value R
Branding and signage	1 070 929	(565 240)	505 689	1 070 863	(252 059)	818 804
Furniture and office equipment	1 152 424	(863 384)	289 040	1 155 640	(715 673)	439 967
Motor vehicles	–	–	–	7 003 308	(3 230 296)	3 773 012
Computer equipment	2 749 031	(1 922 272)	826 759	2 843 957	(1 375 564)	1 468 393
Security equipment and firearms	5 767 857	(4 663 357)	1 104 500	5 636 470	(4 083 273)	1 553 197
Total	**10 740 241**	**(8 014 253)**	**2 725 988**	**17 710 238**	**(9 656 865)**	**8 053 373**

	2018		
	Cost/ revaluation R	Accumulated depreciation R	Carrying value R
Branding and signage	714 279	(172 213)	542 066
Furniture and office equipment	1 090 632	(543 141)	547 491
Motor vehicles	7 456 189	(2 118 008)	5 338 181
Computer equipment	1 737 844	(754 665)	983 179
Security equipment and firearms	5 165 012	(3 338 081)	1 826 931
Total	**16 163 956**	**(6 926 108)**	**9 237 848**

4. PROPERTY, PLANT AND EQUIPMENT continued

Reconciliation of property, plant and equipment – 2020

	Opening balance R	Additions R	Disposals R	Transfer to right-of-use assets (refer note 6) R	Depre-ciation R	Total R
Branding and signage	818 804	–	–	–	(313 115)	505 689
Furniture and office equipment	439 967	18 580	(21 124)	–	(148 383)	289 040
Motor vehicles	3 773 012	–	–	(3 773 012)	–	–
Computer equipment	1 468 393	473 993	(284 459)	–	(831 168)	826 759
Security equipment and firearms	1 553 197	171 350	(76 358)	–	(543 689)	1 104 500
	8 053 373	**663 923**	**(381 941)**	**(3 773 012)**	**(1 836 355)**	**2 725 988**

Reconciliation of property, plant and equipment – 2019

	Opening balance R	Additions R	Disposals R	Depreciation R	Total R
Branding and signage	542 066	465 054	–	(188 316)	818 804
Furniture and office equipment	547 491	53 750	–	(161 274)	439 967
Motor vehicles	5 338 181	227 736	(548 148)	(1 244 757)	3 773 012
Computer equipment	983 179	1 166 820	–	(681 606)	1 468 393
Security equipment and firearms	1 826 931	464 708	–	(738 442)	1 553 197
	9 237 848	**2 378 068**	**(548 148)**	**(3 014 395)**	**8 053 373**

Reconciliation of property, plant and equipment – 2018

	Opening balance R	Additions R	Additions through business combina-tions R	Disposals R	Depre-ciation R	Total R
Branding and signage	86 391	558 629	–	–	(102 954)	542 066
Furniture and fixtures	239 738	168 600	284 009	–	(144 856)	547 491
Motor vehicles	1 928 729	510 493	4 865 520	(915 987)	(1 050 574)	5 338 181
Computer equipment	204 251	772 959	202 873	60 000	(256 904)	983 179
Security equipment and firearms	1 675 735	785 454	86 933	–	(721 191)	1 826 931
	4 134 844	**2 796 135**	**5 439 335**	**(855 987)**	**(2 276 479)**	**9 237 848**

Property, plant and equipment encumbered as security

	2020 R	2019 R	2018 R
The following assets have been encumbered as security for the secured long-term borrowings:			
Motor vehicles	–	3 773 012	5 338 181

5. LEASES (COMPANY AS LESSEE)

The company leases motor vehicles on finance lease. The average lease term is 3 years (2019: 3 years; 2018: 3 years).

The finance leases are repayable in monthly instalments of R273 516 (2019: R186 331; 2018: R229 809) inclusive of interest at rates linked to the prime lending rate (-0.5% to 2%).

The company's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 6.

The company also leases two offices in the Johannesburg area. 15A 4th Street, Wynberg, Sandton is being let at R94 806 per month and the current agreement will end in December 2020. As the company is expected to be sold by September a portion of the right-of-use asset was impaired to take into account the sale as at September 2020. The second building, 21 Tourmaline, Sundowner, Sandton has ended in May 2020 and is now on a month by month basis until the business is sold. The current rent is R16 500. Both office buildings were capitalised over the lease term and discounted at the prime rate as at 1 April 2019.

Details pertaining to leasing arrangements, where the company is lessee are presented below:

	2020 R	2019 R	2018 R
Other disclosures			
Interest expense on lease liabilities	433 571	792 251	370 374
Lease liabilities			
The maturity analysis of lease liabilities is as follows:			
Within one year	2 671 744	2 146 854	2 757 702
Two to five years	1 295 436	511 617	3 234 930
	3 967 180	2 658 471	5 992 632
Less finance charges component	(289 614)	(201 915)	(706 317)
	3 677 566	**2 456 556**	**5 286 315**
Non-current liabilities	1 225 482	493 070	2 991 369
Current liabilities	2 452 084	1 963 486	2 294 946
	3 677 566	**2 456 556**	**5 286 315**

Comparative information for lease liabilities under IAS 17

The information presented for lease liabilities for the comparative period has been prepared on the basis of IAS 17, and therefore only represents the liability as at that date for finance leases and not for operating leases. In addition to the information presented in the table above, IAS 17 required an entity to present a reconciliation of the present value of lease payments for finance leases. This information is presented in the table which follows:

	2020 R	2019 R
Present value of minimum lease payments due		
– within 1 year	1 963 486	2 294 946
– in second to fifth year inclusive	493 070	2 991 369
	2 456 556	**5 286 315**

6. RIGHT-OF-USE ASSETS

	2020			2019		
	Cost/ valuation R	Accumulated depreciation R	Carrying value R	Cost/ valuation R	Accumulated depreciation R	Carrying value R
Buildings	1 955 966	(1 510 630)	445 336	–	–	–
Motor vehicles	10 030 834	(4 912 802)	5 118 032	–	–	–
Total	**11 986 800**	**(6 423 432)**	**5 563 368**	**–**	**–**	**–**

6. RIGHT-OF-USE ASSETS continued

	2018		
	Cost/ revaluation R	Accumulated depreciation R	Carrying value R
Buildings	–	–	–
Motor vehicles	–	–	–
Total	**–**	**–**	**–**

Reconciliation of right-of-use assets – 2020

	Opening balance R	Additions R	Disposals R	Transfer from property, plant and equipment (refer note 4) R	Depre-ciation R	Impair-ment R	Total R
Buildings	–	1 955 966	–	–	(1 178 806)	(331 824)	445 336
Motor vehicles	–	3 445 003	(381 223)	3 773 012	(1 718 760)	–	5 118 032
Total	**–**	**5 400 969**	**(381 223)**	**3 773 012**	**(2 897 566)**	**(331 824)**	**5 563 368**

7. GOODWILL

	2020			2019		
	Cost R	Accumulated impairment R	Carrying value R	Cost R	Accumulated impairment R	Carrying value R
Goodwill	58 773 376	(58 773 376)	–	58 773 376	(58 773 376)	–

	2018		
	Cost R	Accumulated impairment R	Carrying value R
Goodwill	58 773 376	–	58 773 376

Reconciliation of goodwill – 2019

	Opening balance R	Impairment loss R	Total R
Goodwill	58 773 376	(58 773 376)	–

Reconciliation of goodwill – 2018

	Opening balance R	Additions through business combinations R	Total R
Goodwill	9 855 780	48 917 596	58 773 376

8. INTANGIBLE ASSETS

	2020			2019		
	Cost/ valuation R	Accumulated amortisation R	Carrying value R	Cost/ valuation R	Accumulated amortisation R	Carrying value R
Brand names	7 013 833	(7 013 833)	–	7 013 833	(7 013 833)	–
Customer lists	18 244 513	(13 612 150)	4 632 363	18 244 513	(18 244 513)	–
Total	**25 258 346**	**(20 625 983)**	**4 632 363**	**25 258 346**	**(25 258 346)**	**–**

	2018		
	Cost/ revaluation R	Accumulated amortisation R	Carrying value R
Brand names	7 013 833	–	7 013 833
Customer lists	16 924 888	(1 987 965)	14 936 923
Total	**23 938 721**	**(1 987 965)**	**21 950 756**

Reconciliation of intangible assets – 2020

	Opening balance R	Reversal of impairment R	Total R
Customer lists	–	4 632 363	4 632 363

Reconciliation of intangible asset – 2019

	Opening balance R	Additions through business combinations R	Amortisation R	Impairment loss R	Total R
Brand names	7 013 833	–	–	(7 013 833)	–
Customer lists	14 936 923	1 319 625	(3 207 323)	(13 049 225)	–
Total	**21 950 756**	**1 319 625**	**(3 207 323)**	**(20 063 058)**	**–**

Reconciliation of intangible asset – 2018

	Opening balance R	Additions through business combinations R	Amortisation R	Total R
Brand names	7 013 833	–	–	7 013 833
Customer lists	1 830 764	14 636 432	(1 530 273)	14 936 923
Total	**8 844 597**	**14 636 432**	**(1 530 273)**	**21 950 756**

Other information

Customer list intangible asset was reversed at the current financial year end due to the sale of parts of the armed response and guarding business to Fidelity ADT Monitoring Proprietary Limited in the next financial year. This was based on the contracts to be transferred during the sale after amortisation for the current year.

9. LOANS TO GROUP COMPANIES

Fellow subsidiaries

	2020 R	2019 R	2018 R
Revert Risk Management Solutions Proprietary Limited	878 253	–	–
Pinnacle Risk Management Proprietary Limited	119 072	32 012	–
	997 325	**32 012**	**–**

The loans are unsecured, bears no interest and have no repayment terms.

Split between non-current and current portions

Current assets	997 325	32 012	–

Exposure to credit risk

Loans receivable inherently expose the company to credit risk, being the risk that the company will incur financial loss if counterparties fail to make payments as they fall due.

Loans receivable are subject to the impairment provisions of IFRS 9 Financial Instruments, which requires a loss allowance to be recognised for all exposures to credit risk. The loss allowance for group loans receivable is calculated based on twelve month expected losses if the credit risk has not increased significantly since initial recognition. In cases where the credit risk has increased significantly since initial recognition, the loss allowance is calculated based on lifetime expected credit losses. The loss allowance is updated to either twelve month or lifetime expected credit losses at each reporting date based on changes in the credit risk since initial recognition. If a loan is considered to have a low credit risk at the reporting date, then it is assumed that the credit risk has not increased significantly since initial recognition. On the other hand, if a loan is in arrears more than 90 days, then it is assumed that there has been a significant increase in credit risk since initial recognition.

In determining the amount of expected credit losses, the company has taken into account any historic default experience, the financial positions of the counterparties as well as the future prospects in the industries in which the counterparties operate.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The maximum exposure to credit risk is the gross carrying amount of the loans as presented below. The company does not hold collateral or other credit enhancements against group loans receivable.

Credit rating framework

For purposes of determining the credit loss allowances, management determine the credit rating grades of each loan at the end of the reporting period. These ratings are determined either externally through ratings agencies or internally where external ratings are not available.

The table below sets out the internal credit rating framework which is applied by management for loans for which external ratings are not available. The abbreviation "ECL" is used to depict "expected credit losses."

Internal credit grade	Description	Basis for recognising expected credit losses
Performing	Low risk of default and no amounts are past due	Lifetime ECL (not credit impaired)
Doubtful	Either 30 days past due or there has been a significant increase in credit risk since initial recognition.	12 month ECL
In default	Either 90 days past due or there is evidence that the asset is credit impaired	Lifetime ECL (credit impaired)
Write-off	There is evidence indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.	Amount is written off

9. LOANS TO GROUP COMPANIES continued

Credit loss allowances

The following tables set out the carrying amount, loss allowance and measurement basis of expected credit losses for group loans receivable by credit rating grade:

	Internal credit rating (where applicable)	Basis of loss allowance	Gross carrying amount R	Amortised cost R
2020				
Instrument				
Loans to fellow subsidiaries				
Revert Risk Management Solutions Proprietary Limited	Performing	Lifetime ECL (not credit impaired)	878 253	878 253
Pinnacle Risk Management Proprietary Limited	Performing	Lifetime ECL (not credit impaired)	119 072	119 072
			997 325	**997 325**
Total credit loss allowances				
Loans to fellow subsidiaries			997 325	997 325
2019				
Loans to fellow subsidiaries				
Pinnacle Risk Management Proprietary Limited	Performing	Lifetime ECL (not credit impaired)	32 012	32 012
Total credit loss allowances				
Loans to fellow subsidiaries			32 012	32 012

10. DEFERRED TAX

	2020 R	2019 R	2018 R
Deferred tax liability			
Intangible assets	(1 037 649)	–	(5 753 437)
Prepaid expenses	(285 040)	(285 040)	–
IFRS 16 Leases	20 537	–	–
Total deferred tax liability	**(1 302 152)**	**(285 040)**	**(5 753 437)**
Deferred tax asset			
Leave and bonus accruals	1 738 709	261 206	766 982
Debtor's impairment allowance	1 292 257	–	2 090 093
Revenue received in advance	386 361	263 091	–
Deferred tax balance from temporary differences other than unused tax losses	3 417 327	524 297	2 857 075
Tax losses available for set off against future taxable income	11 454 857	–	–
	14 872 184	524 297	2 857 075
Total deferred tax asset	**14 872 184**	**524 297**	**2 857 075**
Deferred tax liability	(1 302 152)	(285 040)	(5 753 437)
Deferred tax asset	14 872 184	524 297	2 857 075
Total net deferred tax (liability)/asset	**13 570 032**	**239 257**	**(2 896 362)**
Reconciliation of deferred tax asset/(liability)			
At beginning of year	239 257	(2 896 362)	(1 080 224)
Acquired through business combination	–	(369 495)	(3 012 593)
Charged to profit and loss	13 330 775	3 256 041	1 196 455
Accounting policy change	–	249 073	–
	13 570 032	**239 257**	**(2 896 362)**
Recognition of deferred tax asset			
The deferred tax asset is recognised on account of deductible temporary differences that will reverse and hence are not impaired			
Unrecognised deferred tax asset			
Deductible temporary differences not recognised as deferred tax assets	12 019 375	10 341 086	803 661

11. INVENTORIES

	2020 R	2019 R	2018 R
Finished goods	352 201	553 432	512 215

12. TRADE AND OTHER RECEIVABLES

	2020 R	2019 R	2018 R
Financial instruments			
Trade receivables	14 241 477	13 962 914	21 774 696
Loss allowance	(7 692 005)	(694 685)	(9 952 827)
Trade receivables at amortised cost	6 549 472	13 268 229	11 821 869
Deposits	160 036	160 036	145 036
Revenue accrual	–	8 658 568	–
Other receivable	20 600	514 989	1 609 207
Non-financial instruments			
Staff loans	–	111 230	2143 157
Prepayments	–	1 018 001	–
Total trade and other receivables	**6 730 108**	**23 731 053**	**13 790 269**
Split between non-current and current portions			
Current assets	6 730 108	23 731 053	13 790 269
Financial instrument and non-financial instrument components of trade and other receivables			
At amortised cost	6 730 108	22 601 822	13 576 112
Non-financial instruments	–	1 129 231	214 157
	6 730 108	**23 731 053**	**13 790 269**

Exposure to credit risk

Trade receivables inherently expose the company to credit risk, being the risk that the company will incur financial loss if customers fail to make payments as they fall due.

In order to mitigate the risk of financial loss from defaults, the company only deals with reputable customers with consistent payment histories. Sufficient collateral or guarantees are also obtained when appropriate. Each customer is analysed individually for creditworthiness before terms and conditions are offered. Statistical credit scoring models are used to analyse customers. These models make use of information submitted by the customers as well as external bureau data (where available). Customer credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of customers, is continuously monitored.

There have been no significant changes in the credit risk management policies and processes since the prior reporting period.

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

The company measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward looking information and general economic conditions of the industry as at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

12. TRADE AND OTHER RECEIVABLES continued

The company's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows:

	2020		2019		2018	
Expected credit loss rate	**Estimated gross carrying amount at default R**	**Loss allowance (Lifetime expected credit loss) R**	**Estimated gross carrying amount at default R**	**Loss allowance (Lifetime expected credit loss) R**	**Estimated gross carrying amount at default R**	**Loss allowance (Lifetime expected credit loss) R**
Not past due	5 718 383	–	4 931 302	–	–	–
Less than 30 days past due	676 050	–	242 161	–	–	–
31 – 60 days past due	164 410	9 371	938 738	–	–	–
61 – 90 days past due	347 108	347 108	1 129 550	83 670	–	–
91 – 120 days past due	7 335 526	7 335 526	6 721 163	611 015	–	–
Total	**14 241 477**	**7 692 005**	**13 962 914**	**694 685**	**–**	**–**

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for lease receivables:

	2020 R	2019 R	2018 R
Opening balance in accordance with IFRS 9	(694 685)	(9 952 827)	(904 273)
Provision for impairment	(6 997 320)	(15 940 810)	(9 048 554)
Amounts written off as bad	–	25 198 952	–
Closing balance	**(7 692 005)**	**(694 685)**	**(9 952 827)**

All risky items identified during the prior financial year was written off to the income statement as bad debts.

Credit risk disclosures for comparatives under IAS 39

The following sections provide comparative information for trade and other receivables which have not been restated. The information is provided in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2018, R nil were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Trade and other receivables impaired

The amount of the provision was R9 952 827 as of 31 March 2018. The ageing of these trade and other receivables is as follows:

	2020 R	2019 R
Over 6 months	–	9 952 827

The maximum exposure to credit risk at the reporting date is the fair value of each class of trade and other receivable mentioned above. The company does not hold any collateral as security.

13. CASH AND CASH EQUIVALENTS

	2020 R	2019 R	2018 R
Cash and cash equivalents consist of:			
Cash on hand	58	2 305	–
Bank balances	979 367	1 082 958	492 342
Bank overdraft	–	(2 101 053)	(261 687)
	979 425	**(1 015 790)**	**230 655**
Current assets	979 425	1 085 263	492 342
Current liabilities	–	(2 101 053)	(261 687)
	979 425	**(1 015 790)**	**230 655**

14. SHARE CAPITAL

	2020 R	2019 R	2018 R
Authorised			
1 000 Ordinary shares of R1 each	1 000	1 000	1 000
Issued			
100 Ordinary shares of R1 each	100	100	100

15. LOANS FROM GROUP COMPANIES

	2020 R	2019 R	2018 R
Other related parties			
CSG Security NC Proprietary Limited	427 500	–	–
The loan is unsecured, bears interest at prime plus 4% and has no repayment terms.			
Censec Solutions Proprietary Limited	9 747 921	16 238 505	–
	10 175 421	**16 238 505**	**–**
Holding company			
CSG Holdings Limited	131 325 139	66 468 062	66 464 983
The loan is unsecured, bears no interest and,has no repayment terms. CSG Holdings Limited	–	19 809 640	13 805 398
The loan is unsecured, bears interest at prime less 1% and is repayable with 48 hours notice.			
	131 325 139	**86 277 702**	**80 270 381**
Fellow subsidiaries			
Hi-Tech Asset Protection Proprietary Limited	2 764 468	2 764 468	3 223 727
CSG Security Supplies and Services Proprietary Limited	1 112 576	1 112 576	1 112 576
Revert Risk Management Solutions Proprietary Limited	–	382 914	562 301
	3 877 044	**4 259 958**	**4 898 604**
The above loans are unsecured, bears no interest and has no repayment terms.			
Split between non-current and current portions			
Current liabilities	145 377 604	106 776 165	85 168 985

Refer to note 25 Changes in liabilities arising from financing activities for details of the movement in loans from group companies during the reporting period.

Exposure to liquidity risk

Refer to note 29 Financial instruments and financial risk management for details of liquidity risk exposure and management.

16. TRADE AND OTHER PAYABLES

	2020 R	2019 R	2018 R
Financial instruments:			
Trade payables	7 686 969	6 027 006	10 162 038
Other payables	17 564 786	8 647 798	3 382 615
Contingent consideration	–	316 710	–
Accrued leave pay	3 581 272	932 880	2 739 219
Accrued bonus	2 628 402	–	–
Unallocated deposits	–	77 150	77 150
Deposits received	–	–	106 000
Non-financial instruments:			
Amounts received in advance	5 519 438	3 758 432	–
VAT	4 093 332	15 335 459	1 877 185
	41 074 199	**35 095 435**	**18 344 207**
Financial instrument and non-financial instrument components of trade and other payables			
At amortised cost	31 461 429	16 001 544	16 467 022
Non-financial instruments	9 612 770	19 093 891	1 877 185
	41 074 199	**35 095 435**	**18 344 207**

Exposure to liquidity risk

Refer to note 29 Financial instruments and financial risk management for details of liquidity risk exposure and management.

17. REVENUE

	2020 R	2019 R	2018 R
Revenue from contracts with customers			
Sale of goods	7 231 098	6 405 057	7 117 090
Rendering of services	142 896 562	155 645 611	121 632 131
	150 127 660	**162 050 668**	**128 749 221**
Disaggregation of revenue from contracts with customers			
The company disaggregates revenue from customers as follows:			
Sale of goods			
Alarm sales and installations	7 231 098	6 405 057	7 117 090
Rendering of services			
Armed response and guarding services	142 896 562	155 645 611	121 632 131
Total revenue from contracts with customers	**150 127 660**	**162 050 668**	**128 749 221**

18. OTHER OPERATING INCOME

	2020 R	2019 R	2018 R
Waiver of debt due to compromise	11 919 906	–	–
Other income	212 178	1 476 909	1 982 124
	12 132 084	**1 476 909**	**1 982 124**

19. OTHER OPERATING GAINS/(LOSSES)

	Note	2020 R	2019 R	2018 R
Gains/(losses) on disposals, scrappings and settlements				
Property, plant and equipment	4	(407 093)	174 711	(346 155)

20. OPERATING PROFIT/(LOSS)

	2020 R	2019 R	2018 R
Operating loss for the year is stated after charging (crediting) the following, amongst others:			
Remuneration, other than to employees			
Administrative and managerial services	6 966 776	3 072 135	1 439 076
Consulting and professional services	3 656 153	878 670	441 446
	10 622 929	**3 950 805**	**1 880 522**
Employee costs			
Salaries, wages, bonuses and other benefits	150 259 494	113 247 039	98 466 376
Total employee costs	150 259 494	113 247 039	98 466 376
Less: Employee costs included in cost of merchandise sold and inventories	(132 727 136)	(87 462 804)	(79 022 283)
Total employee costs expensed	**17 532 358**	**25 784 235**	**19 444 093**
Leases			
Operating lease charges			
Premises	6 310	1 038 492	671 423
Motor vehicles	3 409 802	3 116 787	1 863 411
	3 416 112	**4 155 279**	**2 534 834**
Motor vehicle leases fall outside the scope of IFRS 16 due to the short-term nature of the leases.			
Depreciation and amortisation			
Depreciation of right-of-use assets	2 897 566	–	–
Depreciation of property, plant and equipment	1 836 355	3 014 395	2 276 479
Amortisation of intangible assets	–	3 207 323	1 530 274
Total depreciation and amortisation	**4 733 921**	**6 221 718**	**3 806 753**
Impairment losses			
Right-of-use assets	331 824	–	–
Goodwill	–	58 773 376	–
Intangible assets	(4 632 363)	20 063 058	–
	(4 300 539)	**78 836 434**	**–**
Movement in credit loss allowances			
Trade and other receivables	14 118 927	25 858 952	6 110 455

21. FINANCE COSTS

	2020 R	2019 R	2018 R
Group	27 500	1 504 242	–
Lease liabilities	433 571	792 251	370 374
Bank overdraft	13 795	40 796	870 836
Tax authorities	1 147 363	1 605 396	–
Other	3 773	–	–
Total finance costs	**1 626 002**	**3 942 685**	**1 241 210**

22. TAXATION

	2020 R	2019 R	2018 R
Major components of the tax income			
Deferred			
Originating and reversing temporary differences	(13 330 775)	(3 256 041)	(1 196 455)
Reconciliation of the tax expense			
Reconciliation between applicable tax rate and average effective tax rate.			
Applicable tax rate	28,00%	28,00%	28,00%
Tax loss not used	(4,08)%	(8,86)%	(10,22)%
Disallowable charges	(0,67)%	(16,51)%	–
Prior year deferred tax overprovision	–	–	(1,72)%
	23,25%	**2,63%**	**16,06%**
Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset has been recognised.	42 926 341	36 932 448	2 870 219

No provision has been made for 2020 tax as the company has no taxable income. The estimated tax loss available for set off against future taxable income is R83 836 544 (2019: R36 932 448; 2018: R2 870 219).

23. CASH USED IN OPERATIONS

	2020 R	2019 R	2018 R
Loss before taxation	(55 174 516)	(107 609 115)	(7 450 885)
Adjustments for:			
Depreciation and amortisation	4 733 921	6 221 718	3 806 753
Losses/(gains) on disposals, scrappings and settlements of assets and liabilities Interest income	407 093	(174 711)	346 155
Interest income	–	(11 549)	(21 756)
Finance costs	1 626 002	3 942 685	1 241 210
Net impairments and movements in credit loss allowances	9 818 388	104 695 386	6 110 455
Accounting policy adjustment IFRS 9	–	(889 545)	–
Changes in working capital:			
Inventories	201 231	(41 217)	376 057
Trade and other receivables	2 882 018	(35 799 736)	(8 405 479)
Trade and other payables	5 978 764	16 751 224	2 442 396
	(29 527 099)	**(12 914 860)**	**(1 555 094)**

24. TAX PAID

	2020 R	2019 R	2018 R
Balance at beginning of the year	695 549	155 030	37 596
Balance at end of the year	(695 549)	(695 549)	(155 030)
Total finance costs	**–**	**(540 519)**	**(117 434)**

25. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities – 2020

	Opening balance R	New leases R	IFRS 16 Leases R	Interest accrued R	Total non-cash movements R	Cash flows R	Closing balance R
Finance lease liabilities	2 456 556	3 445 003	1 955 966	433 571	5 834 540	(4 613 530)	3 677 566
Loans from group companies	106 776 165	–	–	–	–	38 601 439	145 377 604
	109 232 721	**3 445 003**	**1 955 966**	**433 571**	**5 834 540**	**33 987 909**	**149 055 170**
Total liabilities from financing activities	**109 232 721**	**3 445 003**	**1 955 966**	**433 571**	**5 834 540**	**33 987 909**	**149 055 170**

Reconciliation of liabilities arising from financing activities – 2019

	Opening balance R	Interest accrued R	Total non-cash movements R	Cash flows R	Closing balance R
Finance lease liabilities	5 286 315	792 251	792 251	(3 622 010)	2 456 556
Loans from group companies	85 168 985	–	–	21 607 180	106 776 165
	90 455 300	**792 251**	**792 251**	**17 985 170**	**109 232 721**
Total liabilities from financing activities	**90 455 300**	**792 251**	**792 251**	**17 985 170**	**109 232 721**

Reconciliation of liabilities arising from financing activities – 2018

	Opening balance R	Business combinations R	Interest accrued R	Total non-cash movements R	Cash flows R	Closing balance R
Finance lease liabilities	1 905 776	4 973 672	370 374	5 344 046	(1 963 507)	5 286 315
Loans from group companies	21 177 235	49 261 404	–	49 261 404	14 730 346	85 168 985
	23 083 011	**54 235 076**	**370 374**	**54 605 450**	**12 766 839**	**90 455 300**
Total liabilities from financing activities	**23 083 011**	**54 235 076**	**370 374**	**54 605 450**	**12 766 839**	**90 455 300**

26. BUSINESS COMBINATIONS

SOS Protec Secure CC

On 22 May 2018, CSG signed an agreement with SOS Protec Sure CC, in terms of which it agrees with 7Arrows Security Proprietary Limited to sell to each other a portion of their respective businesses at a price earnings multiple of 18 times the revenue attributable to the contracts.

The effective date was 1 June 2018.

The final payment was done in April 2019 and was recorded as a contingent consideration (Refer note 16.) The full purchase price has been allocated to a customer list as this relates to contracts acquired.

Fair value of assets acquired and liabilities assumed

	2020 R	2019 R	2018 R
Intangible assets	–	1 319 625	–
Deferred tax	–	(369 495)	–
Total finance costs	**–**	**950 130**	**–**

26. BUSINESS COMBINATIONS SOS PROTEC SECURE CC continued

Stallion Reaction

The group has decided to sell the armed response and monitoring division of Stallion Reaction, included in the books of Invictus Risk Proprietary Limited, to 7Arrows Security Proprietary Limited, a fellow subsidiary, in a common control transaction. This decision brings the business in line with the management and operations thereoff and the group will benefit from increased synergies as a result of this transaction.

Fair value of assets acquired and liabilities assumed

	2020 R	2019 R	2018 R
Property, plant and equipment	–	–	5 439 335
Intangible assets	–	–	5 170 844
Deferred tax	–	–	(819 081)
Goodwill	–	–	45 143 211
Trade and other receivables	–	–	2 345 803
Cash and cash equivalents	–	–	311 370
Lease liabilities	–	–	(4 973 672)
Loans from group companies	–	–	(46 882 953)
Trade and other payables	–	–	(3 356 406)
Total identifiable net assets	–	–	2 378 451
Purchase consideration to be settled via loan account	–	–	(2 378 451)
	–	–	–

Intercity Alarms and Security Systems Proprietary Limited (trading as Incity)

On Wednesday, 27 September 2017 the company signed an agreement with Intercity Alarms and Security Systems Proprietary Limited, trading as Incity, in terms of which it purchased the monitoring, armed response and guarding business of Incity for a maximum amount of R11,08 million. An initial amount of R6 million was paid in cash in 2018 with the balance to be paid in tranches throughout the earn-out period. The effective date was 1 January 2018.

The acquisition of Incity on 1 January 2018 qualified as a business combination under IFRS 3 Business Combinations. Comparative figures as at 31 March 2018 were determined based on all information available at the acquisition date (provisional accounting). This provisional accounting was adjusted for new information obtained within the time frame of 12 months after the acquisition date. These adjustments to the fair values determined in the provisional purchase price allocation are not treated as movements in the current financial year, but as an adjustment to the comparative figures as at 31 March 2017. The effect relates only to a reclassification between assets and liabilities and does not affect the statement of profit and loss and other comprehensive income.

Fair value of assets acquired and liabilities assumed

	2020 R	2019 R	2018 R
Intangible assets	–	–	9 136 333
Deferred tax	–	–	(2 333 333)
Trade and other payables	–	–	(803 000)
	–	**–**	**6 000 000**
Provisional fair values previously disclosed			
The initial accounting for the business combination was incomplete as at 31 March 2018.			
Goodwill			11 658 160
Deferred tax			224 840
Trade and other payables			(803 000)
Contingent consideration			(5 080 000)

Cortac Proprietary Limited

On Friday, 1 September 2017 the company purchased certain of the monitoring, armed response and guarding contracts of Cortac Proprietary Limited ("Cortac").

26. BUSINESS COMBINATIONS SOS PROTEC SECURE CC continued

Fair value of assets acquired and liabilities assumed

	2020 R	2019 R	2018 R
Intangible assets	–	–	329 255
Deferred tax	–	–	139 821
Goodwill	–	–	3 774 385
Trade and other payables	–	–	(828 614)
			3 414 847
Cash flow information – business combinations			
SOS Protec Secure acquisition paid for in cash	–	950 130	–
Stallion cash acquired in business combination	–	–	(311 370)
Incity acquisition paid for in cash	–	–	6 000 000
Cortac acquisition paid for in cash	–	–	3 414 847
	–	**950 130**	**9 103 477**

27. RELATED PARTIES

Relationships

Holding company	CSG Holdings Limited
Fellow subsidiaries	Revert Risk Management Solutions Proprietary Limited Pinnacle Risk Management Proprietary Limited Hi-Tech Asset Protection Proprietary Limited CSG Security Supplies and Services Proprietary Limited
Other related party	Censec Solutions Proprietary Limited CSG Security NC Proprietary Limited

Related party balances

	2020 R	2019 R	2018 R
Loan accounts – Owing (to)/by related parties			
CSG Holdings Limited	(131 325 139)	(86 277 702)	(80 270 381)
Revert Risk Management Solutions Proprietary Limited	878 253	(382 914)	(562 301)
Pinnacle Risk Management Proprietary Limited	119 072	32 012	–
CSG Security Supplies and Services Proprietary Limited	(1 112 576)	(1 112 576)	(1 112 576)
Hi-Tech Asset Protection Proprietary Limited	(2 764 468)	(2 764 468)	(3 223 727)
Censec Solutions Proprietary Limited	(9 747 921)	(16 238 505)	–
CSG Security NC Proprietary Limited	(427 500)	–	–
Amounts included in Trade receivable (Trade Payable) regarding related parties			
CSG Holdings Limited	–	(1 843 881)	–
Revert Risk Management Solutions Proprietary Limited	586 840	714 762	–
Pinnacle Risk Management Proprietary Limited	–	212 356	–
CSG Skills Institute Proprietary Limited	8 325	–	–

27. RELATED PARTIES continued

Related party transactions

	2020 R	2019 R	2018 R
Interest paid to/(received from) related parties			
CSG Holdings Limited	–	1 504 242	–
CSG Security NC Proprietary Limited	27 500	–	–
Administration fees paid to/received from) related parties			
CSG Holdings Limited	–	360 000	–
Censec Solutions Proprietary Limited	5 860 058	–	–
Revert Risk Management Solutions Proprietary Limited	667 873	–	–
Other expenses paid to/(received from) related parties			
Censec Solutions Proprietary Limited	3 228 446	–	–
Revert Risk Management Solutions Proprietary Limited	1 077 094	–	–
CSG Skills Institute Proprietary Limited	55 500	–	–

28. DIRECTOR'S EMOLUMENTS

Executive

	Emoluments R	Director's fees for services as director of subsidiaries R	Total R
2020			
RM Moses	131 000	655 000	786 000

	Emoluments R	Total R
2019		
J Mordecai	1 578 589	1 578 589
JW de Kock	1 630 200	1 630 200
	3 208 789	**3 208 789**

	Director's fees for services as director of subsidiaries R	Total R
2018		
JW de Kock	1 446 293	1 446 293

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of financial instruments

	Note(s)	Amortised cost R	Total R	Fair value R
Categories of financial assets				
2020				
Loans to group companies	9	997 325	997 325	997 325
Trade and other receivables	12	6 730 108	6 730 108	6 730 108
Cash and cash equivalents	13	979 425	979 425	979 425
		8 706 858	**8 706 858**	**8 706 858**
2019				
Loans to group companies	9	32 012	32 012	32 012
Trade and other receivables	12	22 601 822	22 601 822	22 601 822
Cash and cash equivalents	13	1 085 263	1 085 263	1 085 263
		23 719 097	**23 719 097**	**23 719 097**
2018				
Trade and other receivables	12	13 576 112	13 576 112	13 576 112
Cash and cash equivalents	13	492 342	492 342	492 342
		14 068 454	**14 068 454**	**14 068 454**

	Note(s)	Amortised cost R	Leases R	Total R	Fair value R
Categories of financial instruments					
2020					
Trade and other payables	16	31 461 429	–	31 461 429	31 461 429
Loans from group companies	15	145 377 604	–	145 377 604	145 377 604
Finance lease obligations	5	–	3 677 566	3 677 566	3 677 566
		176 839 033	**3 677 566**	**180 516 599**	**180 516 599**
2019					
Trade and other payables	16	16 001 544	–	16 001 544	16 001 544
Loans from group companies	15	106 776 165	–	106 776 165	106 776 165
Finance lease obligations	5	–	2 456 556	2 456 556	2 456 556
Bank overdraft	13	2 101 053	–	2 101 053	2 101 053
		124 878 762	**2 456 556**	**127 335 318**	**127 335 318**
2018					
Trade and other payables	16	16 467 022	–	16 467 022	16 467 022
Loans from group companies	15	85 168 985	–	85 168 985	85 168 985
Finance lease obligations	5	–	5 286 315	5 286 315	5 286 315
Bank overdraft	13	261 687	–	261 687	261 687
		101 897 694	**5 286 315**	**107 184 009**	**107 184 009**

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

Pre tax gains and losses on financial instruments

	Note(s)	Amortised cost R	Total R
Gains and losses on financial assets			
2019			
Recognised in profit or loss:			
Interest income		11 549	11 549
Movement in credit loss allowances	20	(25 858 952)	(25 858 952)
Net gains/(losses)		**(25 847 403)**	**(25 847 403)**
2018			
Recognised in profit or loss:			
Interest income		21 756	21 756
Movement in credit loss allowances	20	(6 110 455)	(6 110 455)
Net gains/(losses)		**(6 088 699)**	**(6 088 699)**

	Note(s)	Amortised cost R	Leases R	Total R
Gains and losses on financial liabilities				
2020				
Recognised in profit or loss:				
Finance costs	21	(45 068)	(433 571)	(478 639)
2019				
Recognised in profit or loss:				
Finance costs	21	(1 545 038)	(792 251)	(2 337 289)
2018				
Recognised in profit or loss:				
Finance costs	21	(870 836)	(370 374)	(1 241 210)
Capital risk management				
Loans from group companies	15	145 377 604	106 776 165	85 168 985
Lease liabilities		3 677 566	2 456 556	5 286 315
Trade and other payables	16	41 074 198	35 095 435	18 344 207
Total borrowings		**190 129 368**	**144 328 156**	**108 799 507**
(Cash and cash equivalents) bank overdraft	13	(979 425)	1 015 789	(230 655)
Net borrowings		**189 149 943**	**145 343 945**	**108 568 852**
Equity		(153 883 010)	(112 039 270)	(7 045 724)
Gearing ratio		(123)%	(126)%	(9 821)%

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

Financial risk management

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The company is exposed to credit risk on loans receivable, trade and other receivables and cash and cash equivalents.

Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring. Each counterparty is analysed individually for creditworthiness before terms and conditions are offered.

Credit risk exposure arising on cash and cash equivalents is managed by the group through dealing with well-established financial institutions with high credit ratings.

Credit loss allowances for expected credit losses are recognised for all debt instruments, but excluding those measured at fair value through profit or loss. Credit loss allowances are also recognised for loan commitments and financial guarantee contracts.

In order to calculate credit loss allowances, management determine whether the loss allowances should be calculated on a 12 month or on a lifetime expected credit loss basis. This determination depends on whether there has been a significant increase in the credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12 month expected credit losses. This determination is made at the end of each financial period. Thus the basis of the loss allowance for a specific financial asset could change year on year.

Management apply the principle that if a financial asset's credit risk is low at year end, then, by implication, the credit risk has not increased significantly since initial recognition. In all such cases, the loss allowance is based on 12 month expected credit losses. Credit risk is assessed as low if there is a low risk of default (where default is defined as occurring when amounts are 90 days past due). When determining the risk of default, management consider information such as payment history to date, industry in which the customer is employed, period for which the customer has been employed, external credit references etc. In any event, if amounts are 30 days past due, then the credit risk is assumed to have increased significantly since initial recognition. Credit risk is not assessed to be low simply because of the value of collateral associated with a financial instrument. If the instrument would not have a low credit risk in the absence of collateral, then the credit risk is not considered low when taking the collateral into account. Trade receivable and contract assets which do not contain a significant financing component are the exceptions and are discussed below.

Where necessary, the assessment for a significant increase in credit risk is made on a collective basis. Management typically adopt this approach when information relevant to the determination of credit risk is not available on an individual instrument level. Often, the only information available on individual instruments which could indicate an increase in credit risk, is "past due" information. It is typical that more forward-looking information is generally more readily available on a collective basis.

Therefore, making the determination on a collective basis, helps to ensure that credit loss allowances are determined on the basis of lifetime expected credit losses before they reach the point of being past due. Forward looking, macro-economic information is applied on a collective basis when it is readily available without undue cost or effort. When loss allowances are determined on a collective basis, management determines the loss allowances by grouping financial instruments on the basis of shared credit risk characteristics.

For trade receivables and contract assets which do not contain a significant financing component, the loss allowance is determined as the lifetime expected credit losses of the instruments. For all other trade receivables, contract assets and lease receivables, IFRS 9 permits the determination of the credit loss allowance by either determining whether there was a significant increase in credit risk since initial recognition or by always making use of lifetime expected credit losses. Management have chosen as an accounting policy, to make use of lifetime expected credit losses. Management does therefore not make the annual assessment of whether the credit risk has increased significantly since initial recognition for trade receivables, contract assets or lease receivables.

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

Credit risk continued

The maximum exposure to credit risk is presented in the table below:

		2020			2019		
	Note(s)	Gross carrying amount R	Credit loss allowance R	Amortised cost/fair value R	Gross carrying amount R	Credit loss allowance R	Amortised cost/fair value R
Loans to group companies	9	997 325	–	997 325	32 012	–	32 012
Trade and other receivables	12	14 422 113	(7 692 005)	6 730 108	23 011 917	(410 095)	22 601 822
Cash and cash equivalents	13	979 425	–	979 425	1 085 263	–	1 085 263
		16 398 863	**(7 692 005)**	**8 706 858**	**24 129 192**	**(410 095)**	**23 719 097**

Liquidity risk

The company is exposed to liquidity risk, which is the risk that the company will encounter difficulties in meeting its obligations as they become due.

There have been no significant changes in the liquidity risk management policies and processes since the prior reporting period.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

	Note(s)	Less than 1 year R	1 to 2 years R	2 to 5 years R	Total R	Carrying amount R
2020						
Non-current liabilities						
Lease liabilities		–	1 179 208	126 828	1 306 036	1 225 482
Current liabilities						
Trade and other payables		31 461 428	–	–	31 461 428	31 461 428
Loans from group companies	15	145 377 604	–	–	145 377 604	145 377 604
Lease liabilities		2 671 744	–	–	2 671 744	2 452 084
		(179 510 776)	**(1 179 208)**	**(126 828)**	**(180 816 812)**	**(180 516 598)**

	Note(s)	Less than 1 year R	1 to 2 years R	Total R	Carrying amount R
2019					
Non-current liabilities					
Lease liabilities		–	511 617	511 617	493 070
Current liabilities					
Trade and other payables	16	16 001 544	–	16 001 544	16 001 544
Loans from group companies	15	106 776 165	–	106 776 165	106 776 165
Lease liabilities		2 146 854	–	2 146 854	1 963 486
Bank overdraft	13	2 101 053	–	2 101 053	2 101 053
		(127 025 616)	**(511 617)**	**(127 537 233)**	**(127 335 318)**

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

Liquidity risk continued

	Note(s)	Less than 1 year R	1 to 2 years R	Total R	Carrying amount R
2018					
Non-current liabilities					
Lease liabilities		–	3 234 930	3 234 930	2 991 369
Current liabilities					
Trade and other payables	16	16 467 022	–	16 467 022	16 467 022
Loans from group companies	15	85 168 985	–	85 168 985	85 168 985
Lease liabilities		2 757 702	–	2 757 702	2 294 946
Bank overdraft	13	261 687	–	261 687	261 687
		(104 655 396)	**(3 234 930)**	**(107 890 326)**	**(107 184 009)**

30. GOING CONCERN

We draw attention to the fact that at 31 March 2020, the company had accumulated losses of R(153 883 110) and that the company's total liabilities exceed its assets by R(153 883 010).

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

The ability of the company to continue as a going concern is dependent on a number of factors. The most significant of these is the successful completion of all conditions precedent in the sale agreement with Fidelity ADT Monitoring Proprietary Limited.

The company will dispose of a specified part of it's armed response and monitoring business and a specified part of the residential guarding business for a consideration of R65,85 million with the effective date anticipated to be 1 September 2020. In addition the loan with CSG Holdings Limited (holding company) of R131 325 139 (refer note 15) can not be called upon.

The material uncertainty relating to the events and conditions described above may cast significant doubt on the company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

31. EVENTS AFTER THE REPORTING PERIOD

The director is not aware of any material event which occurred after the reporting date and up to the date of this report, other than the sale of a material part of the armed response and guarding contracts as noted in the going concern note above

DETAILED INCOME STATEMENT

	Notes	2020 R	2019 R	2018 R
Revenue	17	**150 127 660**	**162 050 668**	**128 749 221**
Cost of sales		**(146 733 899)**	**(102 258 946)**	**(90 566 103)**
Gross profit		**3 393 761**	**59 791 722**	**38 183 118**
Other operating income				
Other recoveries		11 919 906	–	–
Other income		212 178	1 476 909	1 982 124
	18	**12 132 084**	**1 476 909**	**1 982 124**
Other operating gains/(losses)				
(Losses)/gains on disposal of assets or settlement of liabilities		(407 093)	174 711	(346 155)
Movement in credit loss allowances	20	(14 118 927)	(25 858 952)	(6 110 455)
Expenses (Refer to page 62)		**(54 548 339)**	**(139 262 369)**	**(39 940 063)**
Operating loss	20	**(53 548 514)**	**(103 677 979)**	**(6 231 431)**
Investment income		–	11 549	21 756
Finance costs	21	(1 626 002)	(3 942 685)	(1 241 210)
Loss before taxation		**(55 174 516)**	**(107 609 115)**	**(7 450 885)**
Taxation	22	13 330 775	3 256 041	1 196 455
Loss for the year		**(41 843 741)**	**(104 353 074)**	**(6 254 430)**

DETAILED INCOME STATEMENT continued

	Notes	2020 R	2019 R	2018 R
Other operating expenses				
Administration and management fees		(6 966 776)	(3 072 135)	(1 439 076)
Advertising		(189 395)	(338 224)	(270 805)
Amortisation		–	(3 207 323)	(1 530 274)
Auditors remuneration – external auditors	20	(555 275)	(233 884)	–
Bank charges		(436 172)	(718 391)	(666 438)
Cleaning		(350)	(13 731)	(28 362)
Computer expenses		(3 259 657)	(1 136 109)	(967 242)
Consulting and professional fees – accounting		–	–	(143 320)
Consulting and professional fees		(2 827 520)	(376 207)	(21 900)
Consulting and professional fees – legal fees		(828 633)	(502 463)	(276 226)
Consumables		(61 953)	–	–
Depreciation		(4 733 921)	(3 014 395)	(2 276 479)
Enterprise development expenses		(92 236)	(900)	(86 000)
Employee costs		(17 532 358)	(25 784 235)	(19 444 093)
Recruitment		–	–	(47 325)
Radios		(534 339)	–	–
General expenses		(53 387)	–	(3 046)
Penalties		–	(1 664 244)	–
Impairment		4 300 539	(78 836 434)	–
Insurance		(4 570 699)	(2 095 038)	(1 313 200)
Lease rentals on operating lease		(3 416 112)	(4 155 279)	(2 534 834)
Motor vehicle expenses		(9 061 973)	(9 970 754)	(5 361 693)
Municipal expenses		(565 403)	(497 578)	(257 425)
Printing and stationery		(458 851)	(549 824)	(698 814)
Protective clothing		(91 604)	(487 928)	(263 156)
Repairs and maintenance		(66 976)	(60 294)	(89 634)
Security		(184 358)	(23 522)	(24 463)
Staff welfare		(154 046)	(176 909)	(241 577)
Subscriptions		(39 906)	(1 248)	–
Telephone and fax		(2 095 411)	(1 607 049)	(1 616 280)
Training		(100 661)	(396 892)	(319 444)
Travel – local		29 094	(341 379)	(18 957)
		(54 548 339)	**(139 262 369)**	**(39 940 063)**

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF 7 ARROWS PROPRIETARY LIMITED INCLUDED IN THE CIRCULAR

The Directors
CSG Holdings Limited
6 Topaz Avenue
Lyttelton Manor Ext 3
Centurion
0157

12 August 2020

Dear Sir/Madam

OPINION FOR THE YEARS ENDED 31 MARCH 2020 AND 31 MARCH 2019 RESPECTIVELY AND QUALIFIED OPINION FOR THE YEAR ENDED 31 MARCH 2018

We have audited the financial information of 7Arrows Proprietary Limited ("7Arrows") for the three years ended 31 March 2020, 31 March 2019 and 31 March 2018 respectively, as set out in Annexure 1 of the circular to be issued on or about 18 August 2020 ("the Circular") in compliance with the JSE Limited ("JSE") Listings Requirements.

The financial information comprises the statement of financial position as at 31 March 2020, 31 March 2019 and 31 March 2018 respectively, the statement of comprehensive income and statement of changes in equity for the years then ended, and the notes thereto, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the financial information presents fairly, in all material respects, the financial position of 7Arrows as at 31 March 2020 and 31 March 2019 respectively, and its financial performance and cash flows for the periods then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of South Africa and the JSE Listings Requirements.

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion section of our report, the financial information presents fairly, in all material respects, the financial position of 7Arrows as at 31 March 2018 and its financial performance and cash flows for the period then ended in accordance with IFRS and the requirements of the Companies Act of South Africa and the JSE Listings Requirements.

BASIS FOR OPINIONS, INCLUDING BASIS FOR QUALIFIED OPINION FOR THE YEAR ENDED 31 MARCH 2018

The company changed its operating system during the 2018 financial period. Prior to the change-over to the new system, the client did not have adequate internal controls to ensure all revenue was recorded for the financial year. We were unable to obtain sufficient appropriate audit evidence to substantiate the completeness of revenue recorded in the Statement of Profit or Loss and Other Comprehensive Income. As a consequence, we were unable to determine whether any adjustments were required to the financial statements arising from the lack of sufficient appropriate audit evidence over the completeness of revenue.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the group in accordance with sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion for the years ended 31 March 2020 and 31 March 2019 respectively, and the basis for our qualified opinion for the year ended 31 March 2018.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 30 to the financial statements which indicates that the company had at 31 March 2020 accumulated losses of R153 883 110 and that the company's total liabilities exceed its assets by R153 883 010. As stated in note 30, these events or conditions, along with other matters as set forth in note 30, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

RESPONSIBILITIES OF THE DIRECTORS FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of CSG Holdings Limited ("CSG") are responsible for the preparation, contents and presentation of the Circular and are responsible for ensuring that CSG complies with the JSE Listings Requirements. The directors of 7Arrows are responsible for the preparation and fair presentation of the historical financial information in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of historical financial information that is free from material misstatement, whether due to fraud or error.

In preparing the historical financial information, the directors of 7Arrows are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

REPORTING ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF THE HISTORICAL FINANCIAL INFORMATION

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

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

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

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

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

CONSENT

We consent to the inclusion of this report, which will form part of the Circular to the shareholders of CSG in the form and context in which it appears.

Yours faithfully

BDO South Africa Incorporated
Chartered Accountants (SA)
Registered Auditors

per EFG Dreyer
Chartered Accountant (SA)
Registered Auditor
Partner

52 Corlett Drive, Illovo, 2196

PRO FORMA FINANCIAL INFORMATION OF THE CSG GROUP

The definitions and interpretations commencing on page 5 of this Circular apply *mutatis mutandis* to this **Annexure 3**.

The *pro forma* financial information for the CSG Group is set out below. The *pro forma* consolidated statement of financial position and the *pro forma* consolidated statement of comprehensive income of the CSG Group has been prepared for illustrative purposes only, to show the financial effects of the Disposal. Due to their nature, the *pro forma* financial information may not fairly present the CSG Group's financial position, changes in equity, results of operations or cash flows after the Disposal.

The *pro forma* financial information as at 31 March 2020 is presented in a manner that is consistent with the accounting policies of CSG Group, IFRS and the basis on which the historical financial information has been prepared. The financial information has been prepared in accordance with the JSE Listings Requirements and in compliance with the revised SAICA Guide on *pro forma* financial information.

The *pro forma* financial information as set out below should be read in conjunction with the limited assurance report of the independent reporting accountants, which is included as **Annexure 4** to this Circular.

The directors of CSG Group are responsible for the preparation of the *pro forma* financial information.

It has been assumed for the purposes of the *pro forma* financial information that the Disposal took place with effect from 1 April 2019 for purposes of the *pro forma* consolidated statement of comprehensive income and on 31 March 2020 for purposes of the *pro forma* consolidated statement of financial position.

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF THE FINANCIAL POSITION AS AT 31 MARCH 2020

	Note(s)	Reviewed results before the Disposals R'000	*Pro forma* adjustments for the Disposals R'000	*Pro forma's* after the Disposals R'000
ASSETS				
Non-current assets		414 134		453 197
Property, plant and equipment		41 452		41 452
Right of use asset		64 859		64 859
Intangible assets		19 086		19 086
Goodwill		215 216		215 216
Trade and other receivables		–		–
Loans to associates		–		–
Deferred payment consideration	1		27 861	27 861
Deferred taxation	2	38 539	11 204	49 743
Loans receivable		34 981		34 981
Current assets		338 153		372 813
Inventories		11 341		11 341
Deferred payment consideration	1		34 661	34 661
Current income tax receivable		8 327		8 327
Current portion of loans receivable		14 590		14 590
Trade and other receivables		257 861		257 861
Bank and call deposits		46 034		46 034
Assets in disposal group classified as held-for-sale		–		–
Total assets		**752 287**	**73 726**	**826 011**

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF THE FINANCIAL POSITION AS AT 31 MARCH 2020 continued

	Note(s)	Reviewed results before the Disposals R'000	*Pro forma* adjustments for the Disposals R'000	*Pro forma's* after the Disposals R'000
EQUITY AND LIABILITIES				
Capital and reserves		384 521		457 759
Stated capital		318 884		318 884
Treasury shares		(1 236)		(1 236)
Retained earnings		64 916	73 238	138 154
Foreign currency translation reserve		(5 671)		(5 671)
Non-controlling interest		7 629		7 629
Non-current liabilities		129 646		129 646
Interest bearing liabilities		100 178		100 178
Lease liabilities		24 236		24 236
Deferred taxation		5 231		5 231
Current liabilities		238 120		238 606
Current portion of interest-bearing liabilities		14 804		14 804
Current portion of lease liabilities		29 359		29 359
Loans from associates		9 862		9 862
Current portion of borrowings		10 617		10 617
Bank overdrafts and invoice discounting		355		355
Trade and other payables		171 690		173 996
Trade payables and accruals	3	171 690	675	172 365
Current portion of contingent consideration		–		–
Current income tax payable	4	1 433	(189)	1 244
Total equity and liabilities		**752 287**		**826 011**
Shares in issue ('000)		521 288		521 288
Net asset value per share (cents)		72.30		86.35
Net tangible asset value per share (cents)		28.45		40.31

Assumptions

The Reviewed results of the CSG Group, before the Disposal, was extracted without adjustment, from the reviewed provisional condensed consolidated financial statements for the year ended 31 March 2020, which was prepared in accordance with IFRS.

Throughout the *pro forma's* an income tax rate of 28% has been assumed.

The net asset value per share and net tangible asset value per share have been calculated based on 521 288 196 shares in issue as at 31 March 2020.

All adjustments, except for the once-off transaction costs, are expected to have a continuing effect on the statement of financial position.

Notes

1. Disposal consideration on the sale of the 7Arrows business amounting to R65.8 million. The Disposal consideration is deferred with payments over a period of 25 months after the effective date. The present value of future payments amounts to R62.5 million while the financing element amounts to R3.3 million. The future payments were discounted at 7.25% which is based on CSG's current cost of borrowing.
2. Deferred tax asset raised for asset loss that will be utilised against the profit on the sale of business. The base cost being disposed of is higher than the disposal consideration to be received. As such the deferred tax asset raised was calculated to be R11.2 million.
3. Circular costs amounting to R675 000, expensed in the statement of profit and loss and other comprehensive income.
4. Taxation of 28% was accounted for the Circular cost noted above.

PRO FORMA CONDENSED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

	Note(s)	Reviewed results before the Disposals R'000	*Pro forma* adjustments for the Disposals R'000	*Pro forma's* after the Disposals R'000
Continuing Operations				
Revenue		1 751 275		1 751 275
Cost of sales		(1 427 114)		(1 427 114)
Gross profit				
Net operating expenses	1	(297 457)	(675)	(298 132)
Operating profit		26 704		26 029
Profit on sale of property, plant and equipment		(818)		(818)
Impairment of non-financial assets		(34 773)		(34 773)
Share of joint venture (losses)/profits		(10 778)		(10 778)
Investment income		9 077		9 077
Finance cost	2	(22 446)	(2 466)	(24 913)
Profit/(loss) before taxation		(33 033)		(36 174)
Taxation	3	1 231	880	2 110
Profit/(loss) from continuing operations		(31 802)		(34 064)
Discontinued operations	4	(47 438)	(71 386)	(118 825)
Loss for the year		(79 241)		(152 889)
Other comprehensive income		4 055		4 055
Total comprehensive income		**(75 186)**		**(148 834)**
Profit for the period attributable to:				
Owners of the parent		(80 784)		(154 432)
Non-controlling interest		1 543		1 543
		(79 241)		**(152 889)**
Total comprehensive income attributable to:				
Owners of the parent		(76 729)		(150 377)
Non-controlling interest		1 543		1 543
		(75 186)		**(148 834)**
Weighted average shares in issue ('000)		520 372		520 372
Diluted weighted average shares in issue ('000)		520 372		520 372
(Loss)/profit per share attributable to the owners of the parent				
Basic loss per share (cents)		(15.52)		(29.68)
Diluted loss per share (cents)		(15.52)		(29.68)
Dividend per share (cents)		–		–
Profit/(loss) per share from continuing operations				
Basic earnings/(loss) per share (cents)		(6.41)		(6.84)
Diluted earnings/(loss) per share (cents)		(6.41)		(6.84)
Loss per share from discontinued operations				
Basic loss per share (cents)		(9.12)		(22.83)
Diluted loss per share (cents)		(9.12)		(22.83)
Headline earnings reconciliation				
Attributable loss		(80 784)		(154 432)
Loss/(profit) on sale of property, plant and equipment (after taxation)		589		589
(Profit) on sale of business (after taxation)		–	(62 522)	(62 522)
Impairment on goodwill		34 599		34 599
Impairment on property, plant and equipment and intangible assets (after taxation)		–		–
Impairment on other financial assets (after taxation)		174		174
Headline (loss)/earnings		**(45 422)**		**(181 592)**

PRO FORMA CONDENSED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020 continued

	Reviewed results before the Disposals R'000	*Pro forma* adjustments for the Disposals R'000	*Pro forma's* after the Disposals R'000
Headline (loss)/earnings per share			
Basic headline (loss)/earnings per share (cents)	(8.73)		(34.90)
Diluted headline (loss)/earnings per share (cents)	(8.73)		(34.90)
Headline earnings reconciliation from continuing operations			
Attributable earnings/(loss) from continuing operations	(33 345)		(35 607)
Loss/(profit) on sale of property, plant and equipment (after taxation)	589		589
Impairment on goodwill	34 599		34 599
Impairment on property, plant and equipment and intangible assets (after taxation)	–		–
Impairment on other financial assets (after taxation)	174		174
Headline earnings	**2 016**		**(245)**
Headline earnings per share from continuing operations			
Basic headline earnings per share (cents)	0.39		(0.05)
Diluted headline earnings per share (cents)	0.39		(0.05)
Headline loss per share from discontinued operations			
Basic headline losses per share (cents)	(9.12)		(34.85)
Diluted headline losses per share (cents)	(9.12)		(34.85)

Notes

1. The cost of Circular incurred, amounting to R675 000, expensed through the income statement.
2. The deferred payment consideration payments were discounted using CSG's current cost of debt of 7.25%. Therefore, we are required to recognise the financing cost element as a result of the Disposal.
3. Taxation of 28% accounted for against Circular costs and finance costs
4. Disposal of the discontinued operation is reconciled as follows:

	Note(s)	Reviewed results before the Disposals R'000	*Pro forma* adjustments for the Disposals R'000	Unaudited *pro forma's* after the Disposals R'000
Profit and loss				
Revenue	4.1	150 128	(150 128)	–
Cost of sales	4.1	(148 734)		148 734
Gross profit		1 395	(150 128)	(148 734)
Other income	4.2	12 132	62 522	74 654
Operating expenses	4.3	(68 642)	(6 967)	(61 675)
Impairments		(332)	–	(332)
Restructuring cost	4.4	–	–	–
Depreciation (including IFRS16)		(4 734)	–	(4 734)
Profit before tax and interest		(60 181)	(80 640)	(140 821)
Interest income		–	–	–
Interest expense		(1 626)	–	(1 626)
Profit before tax		(61 807)	(80 640)	(142 446)
Taxation		14 368	9 253	23 622
Profit/(loss) discontinued operation		**(47 438)**	**(71 386)**	**(118 825)**

4.1. Adjustment relates to the revenue and cost of sales attributable to the Sale Assets and the Qualifying Client Contracts that will not be incurred going forward.

4.2. Profit on sale of the 7Arrows business for R65.8 million, with payments deferred over a period of 25 months after the effective date. The present value of future payments amounts to R62.5 million and was calculated by discounting the future payments at 7.25% which is based on CSG's current cost of borrowing. The present value of the future payments is recognised as a profit on sale of the business.

4.3. Adjustment relates to the operating expenses attributable to the 7 Arrows Business that will not be incurred going forward. These are administration and management fees.

4.4. Cost of sales of R149 million and operating expenses of R66.4 million are expected to gradually be reduced following the conclusion of the Disposal, as employee, supplier and lease contracts are terminated, and the business is wound down. The reduction in the cost of sales and operating expenses over time will have a material impact on the profitability of CSG.

PRO FORMA CONDENSED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020 continued

Assumptions

The Reviewed results of the CSG Group, before the Disposal, was extracted without adjustment, from the reviewed provisional condensed consolidated financial statements for the year ended 31 March 2020, which was prepared in accordance with IFRS.

Throughout the *pro forma's* an income tax rate of 28% has been assumed.

The basic earnings per share and basic headline earnings per share figures are calculated based on a weighted average number of shares in issue of 520 371 797 shares as at 31 March 2020.

All adjustments, except for additional expenses in discontinued operations, are expected to have a continuing effect.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF THE *PRO FORMA* FINANCIAL INFORMATION OF CSG HOLDINGS LIMITED

The Directors
CSG Holdings Limited
6 Topaz Avenue
Lyttelton Manor Ext 3
Centurion
0157

12 August 2020

Dear Sir/Madam

We have completed our assurance engagement to report on the compilation of the *pro forma* financial information of CSG Holdings ("**CSG**" or the "**Company**") in relation to the disposal of certain specified parts of 7Arrows Security Proprietary Limited, a wholly owned subsidiary, to Fidelity ADT Monitoring Proprietary Limited (the "**Proposed Transaction**"). The *pro forma* financial information, as set out in **Annexure 3** of the circular to be issued on or about 18 August 2020 ("**the Circular**"), consists of the *pro forma* statement of financial position, the *pro forma* statement of comprehensive income and related notes. The applicable criteria on the basis of which the directors have compiled the *pro forma* financial information are specified in the JSE Listing Requirements and described in **Annexure 3**.

The *pro forma* financial information has been compiled by the directors to illustrate the impact of the corporate action or event, described in Section 3 of the Circular, on the Company's financial position and performance as at 31 March 2020, as if the corporate action or event had taken place at 31 March 2020 for statement of financial position and 1 April 2019 for statement of comprehensive income purposes. As part of this process, information about the Company's financial position and performance has been extracted by the directors from the Company's audited financial information for the year ended 31 March 2020.

DIRECTORS' RESPONSIBILITY FOR THE *PRO FORMA* FINANCIAL INFORMATION

The directors are responsible for compiling the *pro forma* financial information on the basis of the applicable criteria specified in the JSE Listing Requirements and described in **Annexure 3** of the Circular and as described in the notes to the consolidated *pro forma* statement of financial position and *pro forma* statement of comprehensive income.

OUR INDEPENDENCE AND QUALITY CONTROL

We are required to comply with the independence and other ethical requirements of Sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018) and parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes), which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively.

The firm applies the International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion about whether the *pro forma* financial information has been compiled, in all material respects, by the directors on the basis specified in the JSE Listing Requirements based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of *Pro Forma* Financial Information Included in a Prospectus issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the *pro forma* financial information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *pro forma* financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *pro forma* financial information.

As the purpose of *pro forma* financial information included in the Circular is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used in the compilation of the *pro forma* financial information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- the related *pro forma* adjustments give appropriate effect to those criteria; and
- the *pro forma* financial information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgment, having regard to our understanding of the nature of the company, the corporate action or event in respect of which the *pro forma* financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *pro forma* financial information.

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

OPINION

In our opinion, the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listing Requirements and described in **Annexure 3** of the Circular.

CONSENT

This report on the *pro forma* statement of financial position is included solely for the information of the Shareholders. We consent to the inclusion of our report on the *pro forma* statement of financial position, *pro forma* statement of comprehensive income and the references thereto, in the form and context in which they appear.

Yours faithfully

BDO South Africa Incorporated
Chartered Accountants (SA)
Registered Auditors

per N Lazanakis
Chartered Accountant (SA)
Registered Auditor
JSE Reporting Accountant Specialist

52 Corlett Drive, Illovo, 2196

CSG HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2006/011359/06)
Share Code: CSG
ISIN ZAE000184438
("**CSG**")

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a General Meeting of CSG Shareholders will be held at 10h00 on Thursday, 17 September 2020 at CSG's offices, Equity Park, Block A, 257 Brooklyn Road, Brooklyn, Pretoria.

The purpose of the General Meeting is to consider and, if deemed fit, to approve, with or without modification, the resolutions set out in this Notice of General Meeting.

Note:

- The definitions and interpretation commencing on page 5 of the Circular to which this Notice of General Meeting is attached, apply mutatis mutandis to this notice and to the resolutions set out below.
- For an ordinary resolution to be approved by Shareholders, it must be supported by more than 50% of the voting rights exercised on the resolution.
- The date on which Shareholders must have been recorded as such in the Register for purposes of being entitled to receive this notice is Friday, 14 August 2020.

ORDINARY RESOLUTION NUMBER 1 – APPROVAL OF THE DISPOSAL

"RESOLVED AS AN ORDINARY RESOLUTION that the Disposal be and is hereby approved by Shareholders and that the Company be and is hereby authorised to implement and to procure the implementation of the Disposal on the terms more fully set out in the Disposal Agreement, a summary of which has been included in the Circular and a copy of which has been made available for inspection by Shareholders."

Reason for and effect of Ordinary Resolution Number 1

In terms of the JSE Listings Requirements, the Disposal is a category 1 transaction and requires the approval of the Shareholders by way of an ordinary resolution.

The effect of Ordinary Resolution Number 1, if passed by Shareholders, will be that the Company will have the necessary authority in terms of the JSE Listings Requirements to implement, and procure the implementation of, the Disposal in accordance with its terms.

ORDINARY RESOLUTION NUMBER 2 – AUTHORITY OF DIRECTORS

"RESOLVED AS AN ORDINARY RESOLUTION that any Director of the Company be and is hereby authorised to do all such things and sign all such documentation as are necessary to give effect to Ordinary Resolution Number 1, hereby ratifying and confirming all such things already done and documentation already signed."

Reason for and effect of Ordinary Resolution Number 2

The reason for Ordinary Resolution Number 2 is for Shareholders to authorise the parties referred to in Ordinary Resolution Number 2 to do all things and sign all documentation as is required to give effect to and implement the approvals granted by the Shareholders at the General Meeting.

The effect of Ordinary Resolution Number 2 if passed by the requisite majority of Shareholders will be that the aforementioned parties will be granted the aforementioned authority to act on behalf of the Company and, to the extent that they may have already acted on behalf of the Company in any manner as contemplated by Ordinary Resolution Number 2, any such actions will be ratified.

VOTING AND PROXIES

The date on which Shareholders must be recorded in the Register for purposes of being entitled to receive this Notice of General Meeting is Friday, 14 August 2020.

The date on which Shareholders must be recorded in the Register for purposes of being entitled to attend and vote at the General Meeting, is Friday, 11 September 2020. The last day to trade in order to be entitled to attend and vote at the General Meeting, is Tuesday, 8 September 2020.

Section 63(1) of the Companies Act requires that meeting participants provide satisfactory identification. Accordingly, meeting participants may be required to provide proof of identification to the reasonable satisfaction of the chairman of the General Meeting and must accordingly bring a copy of their identity document, passport or drivers' license to the General Meeting. If in doubt as to whether any document will be regarded as satisfactory proof of identification, meeting participants should contact the Transfer Secretaries for guidance.

A Shareholder entitled to attend, speak and vote at the General Meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a Shareholder of the Company. For the convenience of Certificated Shareholders and Dematerialised Shareholders with Own-Name Registration, a Form of Proxy (yellow) is attached hereto. Completion of a Form of Proxy will not preclude such Shareholder from attending and voting (in preference to that Shareholder's proxy) at the General Meeting.

Duly completed Forms of Proxy and the authority (if any) under which it is signed must reach the Transfer Secretaries at the address given below preferably, for administrative purposes, by not later than 10h00 on Tuesday, 15 September 2020, provided that any Form of Proxy not delivered to the Transfer Secretaries by this time may be handed to the chairman of the General Meeting prior to the commencement of the General Meeting, at any time before the appointed proxy exercises any Shareholder rights at the General Meeting.

Dematerialised Shareholders without Own-Name Registration who wish to attend the General Meeting in person should request their CSDP or Broker to provide them with the necessary letter of representation in terms of their Custody Agreement with their CSDP or Broker. Dematerialised Shareholders without Own-Name Registration who do not wish to attend but wish to be represented at the General Meeting must advise their CSDP or Broker of their voting instructions. Dematerialised Shareholders without Own-Name Registration should contact their CSDP or Broker with regard to the cut-off time for their voting instructions.

SIGNED AT PRETORIA ON BEHALF OF THE BOARD OF DIRECTORS OF THE COMPANY ON 18 AUGUST 2020.

By order of the Board

Petrus Johannes Jacobus Dry
Chief Executive Officer

Registered address/Company Secretary
Mark Nico Hattingh
6 Topaz Avenue
Lyttelton Manor Ext 3
Centurion 0157
(Postal address as above)

Transfer Secretaries
Link Market Services South Africa Proprietary Limited
(Registration number 2000/007239/07)
Braamfontein 2001
(PO Box 4844, Johannesburg 2000

CSG HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2006/011359/06)
Share Code: CSG
ISIN ZAE000184438
("**CSG**")

FORM OF PROXY – TO BE COMPLETED BY CERTIFICATED SHAREHOLDERS AND DEMATERIALISED SHAREHOLDERS WITH OWN-NAME REGISTRATION ONLY

For use by Shareholders at the General Meeting of the Company, to be held at 10h00 on Thursday, 17 September 2020 at CSG's offices, Equity Park, Block A, 257 Brooklyn Road, Brooklyn, Pretoria, or any adjourned or postponed meeting.

The definitions and interpretation commencing on page 5 of the Circular to which this Form of Proxy is attached ("the Circular") apply mutatis mutandis to this Form of Proxy.

If you are a Dematerialised Shareholder without Own-Name Registration you must not complete this Form of Proxy but must instruct your CSDP or Broker as to how you wish to vote. This must be done in terms of the Custody Agreement between you and your CSDP or Broker.

I/We

(Please PRINT names in full)

of (address)

Telephone: (work) area code (   )   Telephone: (home) area code (   )

Cellphone number   Email address

being the holder of   Certificated Shares or Dematerialised Shares with Own-Name Registration do hereby appoint

(see notes 1 and 2):

1.   or failing him/her,

2.   or failing him/her,

3. the chairperson of the General Meeting,

as my/our proxy to attend, speak and vote for me/us at the General Meeting (or any adjournment thereof) for purposes of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment thereof and to vote for and/or against the resolutions and/or abstain from voting in respect of the Shares registered in my/our name(s), in accordance with the following instruction (see notes):

	For*	Against*	Abstain*
Ordinary Resolution Number 1 – Approval of the Disposal			
Ordinary Resolution Number 2 – Authority of Directors			

* One vote per Share held by Shareholders. Shareholders must insert the relevant number of votes they wish to vote in the appropriate box provided.

Signed at   on   2020

Signature

Capacity of signatory *(where applicable*

Note: Authority of signatory to be attached – see notes 8 and 9.

Assisted by me (where applicable)

Full name   Capacity

Signature

Please read the notes on the reverse side hereof.

SUMMARY OF RIGHTS CONTAINED IN SECTION 58 OF THE COMPANIES ACT

In terms of section 58 of the Companies Act:

- A shareholder may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a Shareholders' meeting on behalf of such shareholder.
- A Shareholder may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder.
- A proxy may delegate his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing such proxy.
- Irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder.
- Any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise.
- If an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the relevant company.
- A proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's memorandum of incorporation, or the instrument appointing the proxy, provides otherwise.
- If the instrument appointing a proxy or proxies has been delivered by a shareholder to a company, then, for so long as that appointment remains in effect, any notice that is required in terms of the Companies Act or such company's memorandum of incorporation to be delivered to a shareholder must be delivered by such company to:
  - the relevant shareholder; or
  - the proxy or proxies, if the relevant shareholder has: (i) directed such company to do so, in writing and (ii) paid any reasonable fee charged by such company for doing so.

Notes:

1. Each Shareholder is entitled to appoint 1 (one) (or more) proxies (none of whom need be a Shareholder of the Company) to attend, speak and vote in place of that Shareholder at the General Meeting.
2. A Shareholder may insert the name of a proxy or the names of two alternative proxies of the Shareholder's choice in the space/s provided with or without deleting "the Chairman of the General Meeting" but the Shareholder must initial any such deletion. The person whose name stands first on the Form of Proxy and who is present at the General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
3. A Shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the Shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise and direct the chairman of the General Meeting, if the chairman is the authorised proxy, to vote in favour of the resolutions, or any other proxy to vote or abstain from voting at the General Meeting as he/she deems fit, in respect of all the Shareholder's votes exercisable at the meeting.
4. Completed Forms of Proxy must be received by the Company Secretary or the Transfer Secretaries, namely, Link Market Services Proprietary Limited, at any of the addresses below preferably, for administrative purposes, by not later than 10h00 on Tuesday, 15 September 2020, provided that any Form of Proxy not delivered to the Company Secretary or the Transfer Secretaries by this time may be handed to the chairman of the General Meeting prior to the commencement of the General Meeting, at any time before the appointed proxy exercises any Shareholder rights at the General Meeting:

   Company Secretary
   - By telefax: 086 531 7689
   - By email: mark@hnlaw.co.za
   - By hand: 6 Topaz Avenue, Lyttelton Manor Centurion 0157
   - By post: same as above

   Transfer Secretaries
   - By telefax: 086 674 4381
   - By email: FeriolH@linkmarketservices.co.za
   - By hand: 19 Ameshoff Street Braamfontein 2001
   - By post: (PO Box 4844, Johannesburg 2000)

   (Note that postal delivery by the due date is at the risk of the Shareholder.)

5. The completion and lodging of this Form of Proxy will not preclude the relevant Shareholder from attending the General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such Shareholder wish to do so.

6. The chairman of the General Meeting may accept or reject any Form of Proxy not completed and/or received in accordance with these notes or with the memorandum of incorporation of the Company.

7. Any alteration or correction made to this Form of Proxy must be initialled by the signatory/ies.

8. Documentary evidence establishing the authority of a person signing this Form of Proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this Form of Proxy, unless previously recorded by the Company or the Transfer Secretaries.

9. Where this Form of Proxy is signed under power of attorney, such power of attorney must accompany this Form of Proxy, unless it has been registered by the Company or the Transfer Secretaries or waived by the chairman of the General Meeting.

10. Where Shares are held jointly, all joint holders are required to sign this Form of Proxy.

11. A minor Shareholder must be assisted by his/her parent/guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company or the Transfer Secretaries.

12. Dematerialised Shareholders without Own Name Registration and who wish to attend the General Meeting, or to vote by way of proxy, must contact their CSDP or Broker who will furnish them with the necessary letter of representation to attend the General Meeting or to be represented thereat by proxy. This must be done in terms of the Custody Agreement between the Shareholder and his/her CSDP or Broker.

13. This Form of Proxy shall be valid at any resumption of an adjourned meeting to which it relates although this Form of Proxy shall not be used at the resumption of an adjourned meeting if it could not have been used at the General Meeting from which it was adjourned for any reason other than it was not lodged timeously for the meeting from which the adjournment took place. This Form of Proxy shall in addition to the authority conferred by the Companies Act except insofar as it provides otherwise, be deemed to confer the power generally to act at the General Meeting in question, subject to any specific direction contained in this Form of Proxy as to the manner of voting.

14. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or mental disorder of the principal or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the Share in respect of which the proxy is given, provided that no notification in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the Transfer Secretaries before the commencement of the meeting or adjourned meeting at which the proxy is used.

15. In terms of section 58 of the Companies Act, unless revoked, an appointment of a proxy pursuant to this Form of Proxy remains valid only until the end of the General Meeting or any adjournment of the General Meeting.

Company Secretary/Registered office
Mark Nico Hattingh
6 Topaz Avenue
Lyttelton Manor Ext 3
Centurion 0157
(Postal address as above)

Transfer Secretaries
Link Market Services South Africa Proprietary Limited
(Registration number 2000/007239/07)
19 Ameshoff Street
Braamfontein 2001
(PO Box 4844, Johannesburg 2000)

CSG