

TELEMASTERS HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

Registration number 2006/015734/06

Share code: TLM & ISIN Number: ZAE000093324

("TeleMasters" or "the Company" or "the Group")

ABRIDGED CONDENSED UN-AUDITED CONSOLIDATED RESULTS FOR THE NINE MONTH PERIOD ENDED 31 MARCH 2017 AND DIVIDEND DECLARATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	For the 9 months ended 31 March 2017	For the 9 months ended 31 March 2016	For the 3 months ended 31 March 2017	For the 3 months ended 31 March 2016
	R	R	R	R
	Unaudited	Unaudited	Unaudited	Unaudited
Revenue	90 440 713	79 048 871	36 118 882	27 681 381
Cost of Sales	(68 775 596)	(53 239 153)	(27 912 280)	(19 775 267)
Gross Profit	27 665 117	25 809 718	8 206 602	7 906 114
Other Income	140 689	500 361	(8 287)	128 083
Operating expenses	(25 294 282)	(25 334 268)	(7 752 149)	(7 992 796)
Operating profit	2 511 524	975 811	446 166	41 401
Investment revenue	169 809	340 646	42 714	89 220
Finance costs	(528 235)	(213 412)	(110 294)	(122 713)
Profit Before Tax	2 153 098	1 103 045	378 586	7 908
Taxation	(602 885)	(308 853)	(182 290)	(1 567)
Profit for the Year	1 550 213	794 192	196 296	6 341
Total comprehensive income for the period	1 550 213	794 192	196 296	6 341
Profit & total comprehensive income attributable to the owners of the Group	1 550 213	794 192	196 296	6 341
EARNINGS PER SHARE				
Basic earnings per share (cents)	3.69	1.89	0.47	0.01
Diluted earnings per share (cents)	3.69	1.89	0.47	0.01
Headline earnings per share (cents)	3.69	1.89	0.47	0.01
Diluted headline earnings per share (cents)	3.69	1.89	0.47	0.01
Basic and dilutive earnings – used in the basic and dilutive earnings per share:				
Earnings attributable to owners of group	1 550 213	794 192	196 296	6 341
Headline Earnings:				
Earnings attributable to owners of group	1 550 213	794 192	196 296	6 341
Adjusted for:				
Headlines earnings for the period	1 550 213	794 192	196 296	6 341
Number of issued ordinary	42 000 000	42 000 000	42 000 000	42 000 000

shares				
Weighted number of shares	42 000 000	42 000 000	42 000 000	42 000 000
Dividends declared per share (cents)	1.50	2.00	0.50	0.00

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION				
	UN-AUDITED		AUDITED	
	As at 31 March		As at 30 June	
	2017		2016	
	R	R	R	R
ASSETS				
Non-current assets				
Property plant & equipment	20 813 936	21 449 451	16 333 283	16 696 294
Intangible assets	948 754	962 532	1 054 191	849 170
Goodwill	2 686 779	2 686 779	2 686 779	2 686 779
Deferred tax	364 199	845 879	1 303 728	1 612 581
	24 813 668	25 944 641	21 377 981	21 844 824
Current assets				
Inventories	1 155 452	633 165	951 716	384 888
Current tax receivable	-	-	-	33 126
Trade and other receivables	25 897 109	21 212 291	17 760 819	14 731 293
Cash and cash equivalents	2 833 881	3 614 713	6 589 525	7 180 029
	29 886 442	25 460 169	25 302 060	22 329 336
Total assets	54 700 110	51 404 810	46 680 041	44 174 160
EQUITY AND LIABILITIES				
Total equity				
Issued capital	48 059	48 059	48 059	48 059
Retained earnings	33 952 528	33 032 313	32 233 249	32 279 057
	34 000 587	33 080 372	32 281 308	32 327 116
Non-current liabilities				
Finance lease liabilities	2 406 650	2 651 125	749 288	585 775
Deferred income	475 101	722 541	-	-
	2 881 751	3 373 666	749 288	585 775
Current liabilities				
Other financial liabilities	3 345 737	2 494 721	2 696 205	3 600 000
Trade and other payables	11 772 300	9 689 878	9 380 109	6 526 872
Finance lease liabilities	1 996 036	2 434 603	1 464 000	1 075 518
Income Tax payable	121 204	-	-	-
Deferred income	260 328	260 329	-	-
Bank overdraft	82 586	71 241	82 586	58 879
Shareholders for dividends	239 581	-	26 545	-
Total Current liabilities	17 817 772	14 950 772	13 649 445	11 261 269
				11 847 044
Total liabilities	20 699 523	18 324 438	14 398 733	
Total equity and liabilities	54 700 110	51 404 810	46 680 041	44 174 160

Number of shares in issue	42 000 000	42 000 000	42 000 000	42 000 000
Net asset value per share (cents)	80.95	78.76	76.86	76.97
Net tangible asset value per share (cents)	72.30	70.07	67.95	68.44

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS			
	UN-AUDITED	UN-AUDITED	AUDITED
	For the 9 months ended 31 March	For the 9 months ended 31 March	For the year ended 30 June
	2017	2016	2016
	R	R	R
Cash flows from operating activities			
Cash (utilised)/ generated by operations	3 724 065	2 985 201	2 953 991
Finance cost	(528 235)	(213 412)	(377 537)
Income taxes refunded	-	33 126	-
Net cash generated from operating activities	3 195 830	2 804 915	2 576 454
Cash flow from investing activities			
Investment revenue received	169 809	340 646	452 318
Additions to plant and equipment	(1 699 137)	(975 347)	(3 746 505)
Proceeds from disposal of plant and equipment	-	-	188 333
Additions to intangible assets	(101 200)	(360 000)	(360 000)
Net cash used in investing activities	(1 630 528)	(994 701)	(3 465 854)
Cash flow from financing activities			
Dividends paid	(627 109)	(813 455)	(1 469 091)
Repayment of borrowings	(1 730 370)	(1 610 970)	(1 219 187)
Net cash used in financing activities	(2 357 479)	(2 424 425)	(2 688 278)
Total cash movement for the period	(792 177)	(614 211)	(3 577 678)
Cash and cash equivalents at the beginning of period	3 543 472	7 121 150	7 121 150
Cash and cash equivalents at the end of period	2 751 295	6 506 939	3 543 472

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY					
	Share	Share	Total share	Retained	Total
	Capital	premium	capital	Earnings	equity
	R	R	R	R	R
Balance at 30 June 2015	4 200	43 859	48 059	32 279 057	32 327 116
Comprehensive income					
- Profit for the period	-	-	-	659 640	659 640
Total comprehensive income	-	-	-	659 640	659 640
Transaction with owners					
- Dividends	-	-	-	(420 000)	(420 000)
Total transactions with owners	-	-	-	(420 000)	(420 000)
Balance at 30 September 2015	4 200	43 859	48 059	32 518 697	32 566 756
Comprehensive income					
- Profit for the period	-	-	-	128 211	128 211
Total comprehensive income	-	-	-	128 211	128 211
Transaction with owners					
- Dividends	-	-	-	(420 000)	(420 000)
Total transactions with owners	-	-	-	(420 000)	(420 000)
Balance at 31 December 2015	4 200	43 859	48 059	32 226 908	32 274 967
Comprehensive income					
- Profit for the period	-	-	-	6 341	6 341
Total Comprehensive income	-	-	-	6 341	6341
Transaction with owners					
- Dividends	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
Balance at 31 March 2016	4 200	43 859	48 059	32 233 249	32 281 308
Comprehensive income					
- Profit for the period	-	-	-	1 225 406	1 225 406
Total comprehensive income	-	-	-	1 225 406	1 225 406
Transaction with owners					
- Dividends	-	-	-	(420 000)	(420 000)
Total transactions with owners	-	-	-	(420 000)	(420 000)
Balance at 30 June 2016	4 200	43 859	48 059	33 032 314	33 080 373
Comprehensive income					
- Profit for the period	-	-	-	499 131	499 131
Total comprehensive income	-	-	-	499 131	499 131
Transaction with owners					
- Dividends	-	-	-	(210 000)	(210 000)
Total transactions with owners	-	-	-	(210 000)	(210 000)
Balance at 30 September 2016	4 200	43 859	48 059	33 321 445	33 369 504
Comprehensive income					
- Profit for the period	-	-	-	625 077	625 077
Total comprehensive income	-	-	-	625 077	625 077
Transaction with owners					
- Dividends	-	-	-	(210 000)	(210 000)
Total transactions with owners	-	-	-	(210 000)	(210 000)
Balance at 31 December 2016	4 200	43 859	48 059	33 736 522	33 784 581
Comprehensive income					
- Profit for the period	-	-	-	426 006	426 006
Total comprehensive income	-	-	-	426 006	426 006
Transaction with owners					
- Dividends	-	-	-	(210 000)	(210 000)
Total transactions with owners	-	-	-	(210 000)	(210 000)
Balance at 31 March 2017	4 200	43 859	48 059	33 952 528	34 000 587

SEGMENT REPORT

IFRS8 requires an entity to report financial and descriptive information about its reportable segments, which are operating segments or aggregations of operating segments that meet specific criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker. The Chief Executive Officer is the Chief Operating decision maker of the Group.

The Group does not have different operating segments. The business is conducted in South Africa and is managed centrally with no branches. The Company is managed as one operating unit.

All revenues from external customers originate in South Africa.

LCR and Digital Direct+ are two technologies which are fully integrated to provide one telecommunications solution to our customers and are not separately managed.

No single customer makes up more than 10% of the Group's Revenue

1. COMPANY PROFILE

TeleMasters is licensed to provide voice, data and cloud-based communication infrastructure and services. The Company supplies fixed-line, fixed cellular, fixed data and virtual PBX services countrywide.

Related Party Transactions

Subsidiary	Skycall Networks (Pty) Limited	
Members of Key Management	M.B. Pretorius T Smith (1 March 2017) M van der Walt	Executive Director Executive Director Chief Operating Officer
Non-Executive Directors	MG Erasmus J Voigt DS van der Merwe BR Topham	

Entities in which key management and/or non-executive directors have a beneficial interest:

BR Topham	SEESA (Pty) Ltd TAG Consulting (Pty) Ltd TAG Business Advisors (Pty) Ltd The BRAT Trust
M.B. Pretorius	Snowy Owl Properties 82 (Pty) Ltd Maison D'Obsession Trust Telemasters (Pty) Ltd
MG Erasmus	Arbor Capital Corporate Finance (Pty) Ltd Arbor Capital Company Secretarial (Pty) Ltd
J Voigt	Perfectworx Consulting (Pty) Ltd Contineo Virtual Communications (Pty) Ltd

	31 March 2017	31 March 2016
Related party balances		
Loan Accounts – Owing (to)/ by related parties		
Maison D'Obsession Trust	(3 993 138)	(2 696 205)
Amounts included in Trade receivables regarding related parties		
Telemasters (Pty) Ltd	734 847	-
TAG Business Advisors (Pty) Ltd	1 743	
Amounts included in Trade Payables regarding related parties		
PerfectWorx Consulting (Pty) Ltd	-	15 846
Snowy Owl Properties 82 (Pty) Ltd	-	130 995
TAG Consulting (Pty) Ltd	-	33 150
Rent paid to related parties		
Snowy Owl Properties 82 (Pty) Ltd	1 034 171	1 034 171
Interest paid		
Maison D'Obsession Trust	193 139	-
Purchases from related parties		
Perfectworx (Pty) Ltd	1 788 166	1 201 430
Contineo Virtual Communications (Pty) Ltd	4 687 790	3 876 711
Telemasters (Pty) Ltd	157 894	178 895
Consulting fees paid to related parties		
BRAT Trust	-	38 150
TAG Business Advisors (Pty) Ltd	-	108 400
TAG Consulting (Pty) Ltd	210 614	176 400
Arbor Capital Corporate Finance (Pty) Ltd	90 000	90 000
Arbor Capital Company Secretarial (Pty) Ltd	90 000	90 000
Sales to related parties		
TAG Business Advisors (Pty) Ltd	15 837	19 686
Telemasters (Pty) Ltd	262 779	584 770
Compensation to Key management		
Short-term employee benefits – Key Management non-directors	698 661	703 905
Short-term employee benefits – Directors	1 594 250	1 514 250

2. FINANCIAL RESULTS

2.1 Statement of compliance and basis of preparation

The un-audited abridged condensed financial results comprise a condensed statement of financial position, condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flow for the 9 month period ended 31 March 2017, which have been presented in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the information required by 000000 IAS 34: *Interim Financial Reporting*, the South African Companies Act as amended, SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council and the JSE Listings Requirements. The results have been prepared in accordance with accounting policies of the Group that are consistent with those applied in the audited annual financial statements for the twelve months ended 30 June 2016.

These results were prepared under the supervision of Talana Smith CA (SA) and have been approved by the audit committee and the Board of Directors. They have not been audited or reviewed by the Auditors of the Group.

2.2 Commentary on operating results

The Revenue for the 9 month period ended 31 March 2017 is up by 22% from R79 048 871 (31 March 2016) to R96 440 713. The Gross profit increased from R25 809 718 to R27 665 117. The Gross Profit percentage decreased from 32.7% to 28.7%. This decrease is as a result of increased cost of sales, increased amortised prepaid commission (R2 548 496) and new supplier costs. The operating expenses have been closely monitored and controlled and decreased from R25 334 268 to R25 294 282.

We incurred a once-off charge of R300k as the usage terms of a major supplier was altered

We have continued to invest in additional hardware to cater for the growth in customers and thus ensure our connectivity solutions remain of the highest quality. In the current nine-month period, we acquired equipment to the value of R3 706 997 compared with R2 429 950 in the previous year. This was financed through instalment sale agreements of R1 898 344 and the balance from working capital generated by the business.

In many instances commissions payable on the sale of term revenue contracts ("Term Revenue Contracts") are paid upfront and capitalised to Prepaid Commission. The Prepaid Commission account is amortised to the Statement of Comprehensive Income as Cost of Sales over the term of the Term Revenue Contracts as the Revenue from these contracts is realised in the Statement of Comprehensive Income. An amount of R2 548 496 of amortised commission is included in the nine-month Cost of Sales figure, matching with the revenue invoiced in terms of the Term Revenue Contracts. The prepaid commission balance is expected to grow as the Term Revenue Contracts grow, the balance in the Statement of Financial Position increasing from R4 679 043 (30 June 2016) to R9 989 091 during the period.

The Term Revenue Contracts to which the prepaid commission relates are signed for periods varying between 12 and 60 months at varying margins, depending on the products and services provided. Revenue from the Term Revenue Contracts is recognised in the Statement of Comprehensive Income as it is earned on a monthly basis over the term of the contract. The visible growth in Revenue in the Statement of Comprehensive Income represents the actual revenue earned for the reporting period which is only a relatively small portion of the actual increase in future annuity revenue contracted for during the period. At the date of this report the future revenues contracted by way of Term Revenue Contracts exceeded R182m.

During the nine-month period, cash of R3 724 065 was generated through the operating activities of the business compared to the R1 632 690 of the comparative period to 31 March 2016. Current working capital ratios remain positive and gearing as a percentage of fixed assets remains low.

2.3. Dividends Declared and Paid

The following dividends have been declared during the year to date:

- A dividend of 0.5 cents per share was declared and payable to all shareholders recorded in the share register of the Company at the close of business on 28 October 2016.
- A dividend of 0.5 cents per share was declared on 21 December 2016 and payable to all shareholders recorded in the share register of the Company at the close of business on 13 January 2017.
- A Dividend of 0.5 cents per share was declared and payable to all shareholders recorded in the share register of the Company at the close of business on 21 April 2017.

Notice is hereby given that a dividend of 0,5 cents per share is declared and will be paid to all shareholders recorded in the share register of the Company at the close of business on Friday, 7 July 2017.

The dividend will be subject to the Dividends Tax that was introduced with effect from 1 April 2012. In accordance with the provisions of the Listings Requirements of the Johannesburg Stock Exchange, the following additional information is disclosed:

- the dividend has been declared out of retained earnings;
- the local Dividends Tax rate is 20%;
- the gross local dividend is 0.5 cents per share for shareholders exempt from Dividends Tax;
- the net local dividend is 0.4 cents per share for shareholders liable for Dividends Tax;
- the Company has 42 000 000 ordinary shares in issue;
- the Company's income tax reference number is: 9683978143.

The following dates are applicable to the dividend:

The last day to trade in order to be eligible for the dividend will be Tuesday, 4 July 2017. Shares will trade ex-dividend from Wednesday, 5 July 2017. The record date will be Friday, 7 July 2017 and payment will be made on Monday, 10 July 2017.

Share certificates may not be dematerialised/re-materialised between Wednesday, 5 July 2017 and Friday, 7 July 2017, both days inclusive.

2.4. Acquisition of property plant and equipment

Property, plant and equipment acquired during the year comprises various items of furniture and fittings, motor vehicles, office equipment, IT equipment and routers and handsets. The majority of items acquired falls into the category of routers and handsets.

3. SUBSEQUENT EVENTS

The directors are not aware of any matter or circumstance arising between the end of the period and the reporting date which would have a material effect on the consolidated results or the consolidated financial position of the Group as reported.

4. LITIGATION

There are currently no legal or related proceedings against the Group, of which the Board is aware, which may have or have had in the 12 months preceding the date of this report, a material effect on the consolidated position of the Group.

- As previously disclosed, the Group is currently involved in litigation with a previous customer, Huge Group Ltd, pertaining to outstanding receivables to the value of R4.1 million. This receivable is, however, adequately secured through a cession of 10 million Hugh Group Ltd shares held against the debt owed to the Group. The matter has been referred for arbitration which is currently in process.
- The Company is currently involved in litigation with a previous supplier relating to disputes over amounts billed by the supplier to the value of R1.6 million.

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

5. SHARE CAPITAL

No changes were made to the share capital during the period under review.

6. FUTURE PROSPECTS

The Board is pleased to note the increase in sales, profits and cash generated from operating activities and the reduction in expenses. The Board is pleased with the contribution from recently appointed Talana Smith as CFO who brings a sharp focus on matters affecting the strategy driving the business.

The expected growth in data connectivity sales confirms our vision of an increasingly interconnected world driven by an increasing demand for data speed and bandwidth. At the same time, the number of landline minutes and the retail price thereof remain under pressure reflecting a change in user communication habits, of which we take serious note of. This change is affecting the industry in general and fixed-line operators specifically. Pricing remains a strong driver of customer choices and the company strives to add value to our services in ways the customers perceive as favourable and valuable.

Revenue from term contracts is recognised in the results as it is earned on a monthly basis, the visible growth in revenue being only a relatively small portion of the actual increase in annuity revenue contracted during the period. The Board is pleased with the continued growth in future contracted revenues.

Fixed costs as a pro portion of revenues and operations will reduce with growth thereby allowing more flexible pricing options should the market require changes.

For and on behalf of the Board:

MB Pretorius
Chief Executive Officer

Talana Smith
Chief Financial Officer

Corporate information

Directors: DS van Der Merwe^{**}, J Voigt^{*}, MG Erasmus^{*}, BR Topham^{*}, MB Pretorius, T Smith
(*Non-executive; [#]independent)

Registered address: 90 Regency Drive, Route 21 Corporate Office Park, Irene, 0157 Pretoria (P.O. Box 68255 Highveld Park 0169)

Company secretary: TAG Consulting (Pty) Limited

Auditors: Nexia SAB&T, 119 Witch-Hazel Avenue, Highveld Techno Park, Centurion

Transfer secretaries: Link Market Services Proprietary Limited, 13th Floor, 19 Ameshoff Street, Braamfontein, 2017

Designated Advisor: Arbor Capital Sponsors Proprietary Limited

Website: www.telemasters.co.za