

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 THREE MONTH PERIOD ENDED 30 SEPTEMBER 2015

<u>CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME</u>	UNAUDITED For the 3 month period ended 30 September 2015 R	UNAUDITED For the 3 month period ended 30 September 2014 R
Revenue	27 240 517	25 045 956
Cost of sales	(17 804 507)	(16 665 697)
Gross profit	9 436 010	8 380 259
Operating expenses	(8 615 820)	(6 715 135)
Operating profit/(loss)	820 190	1 665 124
Investment revenue	144 853	107 556
Finance costs	(42 470)	(227 958)
Profit before tax	922 573	1 544 722
Taxation	(262 933)	(362 980)
Profit for the period	659 640	1 181 742
Comprehensive income for the period	-	-
Total comprehensive income for the period	659 640	1 181 742
Profit and total comprehensive income attributable to the owners of the company	659 640	1 181 742
EARNINGS PER SHARE		
Basic earnings per share (cents)	1.57	2.81
Dilutive earnings per share (cents)	1.57	2.81
Headline earnings per share (cents)	1.57	2.81
The earnings per share/ dilutive earnings per share and headline earnings per share were determined using the following information:		
Basic and dilutive earnings - used in the calculation of basic and dilutive earnings per share		
Earnings attributable to owners of the company	659 640	1 181 742

HEADLINE EARNINGS:

Earnings attributable to owners of the Company	659 640	1 181 742
Adjusted for:	-	-
Headline earnings for the period	659 640	1 181 742
Weighted number of ordinary shares	Number of shares issued	Number of shares issued
Shares as at 30 September 2015	42 000 000	42 000 000
Shares as at 30 September 2014	42 000 000	42 000 000
Dividends declared per share (cents)	1.00	2.00

**CONDENSED CONSOLIDATED
STATEMENTS OF FINANCIAL
POSITION**

	UNAUDITED As at 30 September 2015 R	AUDITED As at 30 June 2015 R	UNAUDITED As at 30 September 2014 R
ASSETS			
Non-current assets			
Property plant & equipment	16 632 331	16 696 294	16 559 121
Intangible assets	797 509	894 170	1 127 860
Goodwill	2 686 779	2 686 779	2 686 779
Deferred tax	1 349 648	1 612 581	2 171 242
	21 466 267	21 844 824	22 545 002
Current assets			
Inventories	267 773	384 888	53 883
Current tax receivable	33 126	33 126	-
Trade and other receivables	14 571 790	14 731 293	14 912 387
Cash and cash equivalents	6 604 667	7 180 029	8 596 383
	21 477 356	22 329 336	23 562 653
Total assets	42 943 623	44 174 160	46 107 655
EQUITY AND LIABILITIES			
Total equity			
Issued capital	48 059	48 059	48 059
Retained earnings	32 518 697	32 279 057	32 388 633
	32 566 756	32 327 116	32 436 692
Non-current liabilities			
Finance lease liabilities	608 682	585 775	854 445
	608 682	585 775	854 445
Current liabilities			
Other financial liabilities	3 380 805	3 600 000	4 064 946
Trade and other payables	5 115 063	6 526 872	6 916 729
Finance lease liabilities	1 181 561	1 075 518	1 759 834
Bank overdraft	90 756	58 879	75 009
	9 768 185	11 261 269	12 816 518
Total liabilities	10 376 867	11 847 044	13 670 963
Total equity and liabilities	42 943 623	44 174 160	46 107 655
Number of shares in issue	42 000 000	42 000 000	42 000 000
Net asset value per share (cents)	77.54	76.97	77.23
Net tangible asset value per share (cents)	69.24	68.44	68.04

CONDENSED CONSOLIDATED
STATEMENTS OF CASH FLOWS

UNAUDITED
For the 3 months
ended 30 September

2015

R

UNAUDITED
For the 3 months
ended 30 September

2014

R

Cash flows from operating activities

Cash generated/(utilised) by operations	589 171	4 374 915
Finance cost	(42 470)	(227 958)
Income taxes refunded/(paid)	-	33 126
Net cash generated/(utilised) from operating activities	546 701	4 180 083

Cash flow from investing activities

Investment revenue received	144 853	107 556
(Additions)/disposal to plant and equipme	(788 548)	(960 622)
Net cash used in investing activities	(643 695)	(853 066)

Cash flow from financing activities

Dividends paid	(420 000)	(840 000)
Proceeds from borrowings	-	644 761
Repayment of borrowings	(90 245)	(1 647 159)
Net cash used in financing activities	(510 245)	(1 842 398)

Total cash movement for the period	(607 239)	1 484 619
Cash and cash equivalents at the beginning of period	7 121 150	7 036 754
Cash and cash equivalents at the end of period	6 513 911	8 521 373

**CONDENSED CONSOLIDATED
STATEMENTS OF CHANGES IN
EQUITY**

	Share capital R	Share premium R	Total share capital R	Retained Earnings R	Total equity R
Balance at 30 June 2013	4 200	43 859	48 059	30 639 461	30 687 520
Comprehensive income					
- Profit for the year	-	-	-	2 667 430	2 667 430
Total comprehensive income	-	-	-	2 667 430	2 667 430
Transaction with owners					
- Dividends				(1 260 000)	(1 260 000)
Total transactions with owners				(1 260 000)	(1 260 000)
Balance at 30 June 2014	4 200	43 859	48 059	32 046 891	32 094 950
Comprehensive income					
- Profit for the year	-	-	-	1 181 742	1 181 742
Total comprehensive income	-	-	-	1 181 742	1 181 742
Transaction with owners					
- Dividends				(840 000)	(840 000)
Total transactions with owners				(840 000)	(840 000)
Balance at 30 September 2014	4 200	43 859	48 059	32 388 633	32 436 692
Comprehensive income					
- Profit for the period	-	-	-	1 570 424	1 570 424
Total comprehensive income	-	-	-	1 570 424	1 570 424
Transaction with owners					
- Dividends	-	-	-	(1 680 000)	(1 680 000)
Total transactions with owners					
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

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

2. FINANCIAL RESULTS

2.1 Statement of compliance and basis of preparation

The unaudited 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 3 month period ended 30 September 2015 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 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 that are consistent with those applied in the audited annual financial statements for the period ended 30 June 2015.

These results were prepared under the supervision of Brandon Topham CA (SA) and have not been audited or reviewed by the Auditors of the group.

2.2 Commentary on operating results

Despite increased competition on selling price Group Revenue has increased by 8.76% which is an indication of the gradual increase in our client base. Gross Profit is slightly up to 34.64% from 33.46% as a result of better matching of expenditure with contract periods and a negative adjustment downwards due to the cost of the price paid per minute when compared with the prior year. Operating expenditure is significantly higher as a result of the ongoing investment into additional sales and technical staff to facilitate the continued and anticipated growth in clients. This investment has not paid off as quickly as hoped due to the sales lead time and learning curve for the new staff but the growth is expected to accelerate in coming months. The reduction in borrowings from the prior period has reduced our finance costs in the current period dramatically but is not significant to the Group results due to the low level of borrowings which the Group has. The Earnings per share has reduced from 2.81 cents per share to 1.57 cents per share as a result of the deliberate investment into operational expenditure.

In addition to the investment in operating capacity we invested R743 548 into additional equipment. As a result of good working capital ratios we still paid a one cent per share dividend to shareholders, albeit down from the two cents per share paid in the prior period.

2.3 Dividends paid and notice of declaration of dividend

The following dividends were declared during the year to date:

- A dividend of 1 cents per share was declared and payable to all shareholders recorded in the share register of the Company at the close of business on 23 October 2015;

Notice is hereby given that a dividend of 1 cent 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 29 January 2016.

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 15%;
- the gross local dividend is 1 cents per share for shareholders exempt from Dividends Tax;
- the net local dividend is 0.85 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 Friday, 22 January 2016. Shares will trade ex-dividend from Monday, 25 January 2016. The record date will be Friday, 29 January 2016 and payment will be made on Monday, ?? January 2016.

Share certificates may not be dematerialised/ re-materialised between Monday, 25 January 2016 and Friday, 29 January 2016, both days inclusive.

2.4 Acquisition of property plant and equipment

Property, plant and equipment acquired during the period comprise various items of IT equipment, routers and handsets.

3. SUBSEQUENT EVENTS

The directors are not aware of any matter or circumstance arising since 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 proceedings of which the Group 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, other than as disclosed below:

- The Company is currently involved in litigation with a previous client pertaining to outstanding receivables to the value of R4.1 million. These receivables are, however, adequately secured through a cession of shares held against the debt owed to the Group. The previous client has lodged a counter claim against the Company for a similar amount as the claim the Company has against it. The matter has been referred for arbitration, which is 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. GOING CONCERN

The board of directors is of the opinion that, having regard to the current status and the future strategy of the Group, the Group has sufficient resources to continue as a going concern.

6. SHARE CAPITAL

No changes to share capital occurred during the period.

7. CORPORATE GOVERNANCE

The Group subscribes to the values of good corporate governance at all levels and is committed to conducting business with discipline, integrity and social responsibility.

8. FUTURE PROSPECTS

The Group continues to grow its client base on a monthly basis. The growth is primarily funded from operating capital and these new clients will result in increased profitability over time. The investment into additional staff whilst having not yet provided the returns hoped for, continue to have the promise of a significant increase in Revenue in the coming months. The Board, though disappointed in the current results remains upbeat for the coming periods and believe that the current strategy will be rewarded in due course. The market conditions remain extremely competitive with continued regulatory uncertainty but our business model is sound and our technology continues to offer the highest quality of telecommunications solutions for business in South Africa. We are poised to remain a significant player in this market.

For and on behalf of the Board:

MB Pretorius
Chief Executive Officer
31 December 2015

BR Topham
Chief Financial Officer

Corporate information

Directors: DS van Der Merwe^{*#}, J Voigt^{*}, MG Erasmus^{*}, MB Pretorius, BR Topham
(*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) Ltd

Auditors: Nexia SAB&T, 119 Witch-Hazel Avenue, Highveld Technopark, 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