

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 THREE AND SIX MONTH PERIODS ENDED 31 DECEMBER 2015

	UN-AUDITED	UN-AUDITED	UN-AUDITED	UN-AUDITED
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	For the 6 month period ended 31 December	For the 3 month period ended 31 December	For the 6 month period ended 31 December	For the 3 month period ended 31 December
	2015	2015	2014	2014
	R	R	R	R
Revenue	51 739 768	24 499 251	49 173 694	24 127 738
Cost of sales	(33 463 886)	(15 659 379)	(33 170 086)	(16 504 389)
Gross profit	18 275 882	8 839 872	16 003 608	7 623 349
Operating expenses	(17 341 472)	(8 725 652)	(12 879 744)	(6 164 609)
Operating profit	934 410	114 220	3 123 864	1 458 740
Investment revenue	251 426	106 573	217 095	109 539
Finance costs	(90 699)	(48 229)	(270 923)	(42 965)
Profit before tax	1 095 137	172 564	3 070 036	1 525 314
Taxation	(307 286)	(44 353)	(865 750)	(502 770)
Profit for the year	787 851	128 211	2 204 286	1 022 544
Comprehensive income for the year	787 851	128 211	2 204 286	1 022 544
Total comprehensive income for the year	787 851	128 211	2 204 286	1 022 544
Profit and total comprehensive income attributable to the owners of the company	787 851	128 211	2 204 286	1 022 544
EARNINGS PER SHARE				
Basic earnings per share (cents)	1.88	0.31	5.25	2.43
Dilutive earnings per share (cents)	1.88	0.31	5.25	2.43
Headline earnings per share (cents)	1.88	0.31	5.25	2.43
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	787 851	128 211	2 204 286	1 022 544
HEADLINE EARNINGS:				
Earnings attributable to owners of the Company	787 851	128 211	2 204 286	1 022 544
Adjusted for:				
(Gain)/ loss on disposal of property plant and equipment – net of tax	-	-	-	-
Headline earnings for the period	787 851	128 211	2 204 286	1 022 544
Number of shares issued	42 000 000	42 000 000	42 000 000	42 000 000
Weighted average number of shares issued	42 000 000	42 000 000	42 000 000	42 000 000
Dividends declared per share (cents)	2.00	1.00	4.00	2.00

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION				
	UN-AUDITED	AUDITED	UN-AUDITED	AUDITED
	As at 31 December	As at 30 June	As at 31 December	As at 30 June
	2015	2015	2014	2014
	R	R	R	R
ASSETS				
Non-current assets				
Property plant & equipment	17 399 143	16 696 294	17 464 953	16 139 662
Intangible assets	745 851	894 170	1 138 113	1 241 942
Goodwill	2 686 779	2 686 779	2 686 779	2 686 779
Deferred tax	1 305 295	1 612 581	1 666 494	2 534 222
	22 137 068	21 844 824	22 956 339	22 602 605
Current assets				
Inventories	321 068	384 888	102 872	260 547
Current tax receivable	-	33 126	-	-
Trade and other receivables	15 926 473	14 731 293	12 281 147	15 854 317
Cash and cash equivalents	6 727 078	7 180 029	7 622 122	7 115 824
	22 974 619	22 329 336	20 006 141	23 230 688
Total assets	45 111 687	44 174 160	42 962 480	45 833 293
EQUITY AND LIABILITIES				
Total equity				
Issued capital	48 059	48 059	48 059	48 059
Retained earnings	32 226 908	32 279 057	32 571 177	32 046 891
	32 274 967	32 327 116	32 619 236	32 094 950
Non-current liabilities				
Finance lease liabilities	1 769 591	585 775	378 083	1 120 222
	1 769 591	585 775	378 083	1 120 222
Current liabilities				
Other financial liabilities	3 600 000	3 600 000	3 564 450	4 600 000
Trade and other payables	6 526 092	6 526 872	4 582 944	5 977 650
Finance lease liabilities	858 451	1 075 518	1 758 714	1 961 401
Bank overdraft	82 586	58 879	59 053	79 070
Total Current liabilities	11 067 129	11 261 269	9 965 161	12 618 121
Total liabilities	12 836 720	11 847 044	10 343 244	13 738 343
Total equity and liabilities	45 111 687	44 174 160	42 962 480	45 833 293
Number of shares in issue	42 000 000	42 000 000	42 000 000	42 000 000
Net asset value per share (cents)	76.85	76.97	77.66	76.30
Net tangible asset value per share (cents)	68.67	68.44	68.56	66.95

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS					
	UN-AUDITED	UN-AUDITED	AUDITED	UN-AUDITED	UN-AUDITED
	For the 6 months ended 31 December	For the 3 months ended 31 December	For the year ended 30 June	For the 6 months ended 31 December	For the 3 months ended 31 December
	2015	2015	2015	2014	2014
	R	R	R	R	R
Cash flows from operating activities					
Cash (utilised)/ generated by operations	1 632 690	1 043 519	8 451 090	7 050 269	2 675 354
Finance cost	(90 699)	(48 229)	(244 332)	(270 923)	(42 965)
Income taxes refunded/ (paid)	33 126	33 126	-	33 126	-
Net cash generated/(utilised) from operating activities	1 575 117	1 028 416	8 206 758	6 812 472	2 632 389
Cash flow from investing activities					
Investment revenue received	251 426	106 573	399 743	217 095	109 539
(Additions)/ disposal to plant and equipment	(2 429 950)	(1 641 402)	(3 729 199)	(2 842 876)	(1 882 254)
Proceeds from disposal of plant and equipment	-	-	212 551	-	-
Additions to intangible assets	-	-	-	-	-
Net cash used in investing activities	(2 178 524)	(1 534 829)	(3 116 905)	(2 625 781)	(1 772 715)
Cash flow from financing activities					
Dividends paid	(840 000)	(420 000)	(2 518 470)	(1 680 000)	(840 000)
Proceeds from borrowings	1 259 170	1 259 170	935 115	644 761	-
Repayment of borrowings	(292 421)	(202 176)	(3 422 102)	(2 625 137)	(977 978)
Net cash used in financing activities	126 749	636 994	(5 005 457)	(3 660 376)	(1 817 978)
Total cash movement for the period	(476 658)	130 581	84 396	526 315	(958 304)
Cash and cash equivalents at the beginning of period	7 121 150	6 513 911	7 036 754	7 036 754	8 521 373
Cash and cash equivalents at the end of year	6 644 492	6 644 492	7 121 150	7 563 069	7 563 069

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 2014	4 200	43 859	48 059	32 046 891	32 094 950
Comprehensive income					
- Profit for the period	-	-	-	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	-	-	-	1 022 544	1 022 544
Total comprehensive income	-	-	-	1 022 544	1 022 544
Transaction with owners					
- Dividends	-	-	-	(840 000)	(840 000)
Total transactions with owners	-	-	-	(840 000)	(840 000)
Balance at 31 December 2014	4 200	43 859	48 059	32 571 177	32 619 236
Comprehensive income					
- Profit for the period	-	-	-	547 880	547 880
Total comprehensive income	-	-	-	547 880	547 880
Transaction with owners					
- Dividends	-	-	-	(840 000)	(840 000)
Total transactions with owners	-	-	-	(840 000)	(840 000)
Balance at 30 June 2015	4200	43859	48059	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

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.

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 6 month period ended 31 December 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 of the Group that are consistent with those applied in the audited annual financial statements for the twelve months 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

The Revenue for the six month period ended 31 December 2015 is up by 5.22% from R49 173 694 to R51 739 768. The Gross profit increased from R16 003 608 to R18 275 882. The Gross Profit percentage has thus gone up from 32.55% to 35.32%. This increase is as anticipated as the margins generated using our Digital Direct Margin is higher than what was previously achieved using traditional lease cost routing and each month we add customers on to this platform.

Management has taken a conscious decision to apply the increased margin and additional cash flows to increase our investment in direct sales and sales support staff in our drive towards regional and sectoral organic growth. It is believed that over time this will increase the rate of growth in the company. This also gives the company more direct control over the sales process versus the traditional channelbased sales model. The majority of our revenues are generated by way of term contracts which render a strong annuity revenue stream to be realised over time. Given that revenue from term contracts are amortised to revenue on a monthly basis the visible growth in revenue is only a relatively small portion of the actual increase in annuity revenue contracted during the period. This bodes well for future cash flows in the company. This accelerated growth program which increases both our operating revenue as well as the future annuity revenues and will in future place us in a more competitive position as our Fixed costs portion of operations will reduce with growth allowing more flexible pricing options in future should the market require changes.

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 a telephony solution of the highest quality. In the current six month period we acquired R2 429 950 worth of equipment compared with R2 842 876 in the previous year. This was largely financed from working capital generated by the business with only R1 259 170 being financed from long term borrowings.

During the six month period we generated positive cash flows from operating activities of R1 575 117 compared with R6 812 472 in comparative period. The decrease was as a result of a decrease in operating profits due to the investments made in expansion activities recorded above and an increase in current working capital. Current working capital ratios remain positive and gearing as percentage of fixed assets remains low.

2.3. Dividends Declared and Paid

The following dividends were declared during the year to date:

- A dividend of 1 cents per share was declared on 30 September 2015 and payable to all shareholders recorded in the share register of the Company at the close of business on 23 October 2015;
- A dividend of 1 cents per share was declared on 31 December 2015 and payable to all shareholders recorded in the share register of the Company at the close of business on 29 January 2016;

Notice is hereby given that a dividend of 0,50 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 ?? Apr2016.

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 0.5 cents per share for shareholders exempt from Dividends Tax;
- the net local dividend is 0.425 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, ?? April 2016. Shares will trade ex-dividend from Monday, ?? April 2016. The record date will be Friday, ?? April 2016 and payment will be made on Monday, ?? April 2016.

Share certificates may not be dematerialised/re-materialised between Monday, ?? April 2016 and Friday, ?? April 2016, 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 Huge 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

As is evidenced from the operating results, Telemasters is accelerating its move from low margin legacy service products to higher margin cloud-based services in line with its 'FutureProof' strategy to customers

We have secured solid credit lines to ensure liquidity for the rapid funding of new customer equipment requirements as we increase the numbers of customers through our growth strategy.

The industry remains extremely competitive with price being a major purchasing requirement. Whilst we remain price competitive our strategy remains focused on a high quality telephony product as we remain of the opinion that poor quality calls will lose customer loyalty and result in high levels of maintenance and technical support. Our growth strategy and investment in our resources and assets ensure that the Group remains in line for exponential growth in the future as our fixed overheads are recovered from increased margins derived from new customers.

For and on behalf of the Board:

MB Pretorius
Chief Executive Officer
14 April 2016

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: Brandon Topham

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