

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 NINE MONTH PERIODS ENDED 31 MARCH 2016 AND DIVIDEND DECLARATION

	UN-AUDITED	UN-AUDITED	UN-AUDITED	UN-AUDITED	AUDITED
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	For the 9 month period ended 31 March	For the 3 month period ended 31 March	For the 9 month period ended 31 March	For the 3 month period ended 31 March	For the year ended 30 June
	2016	2016	2015	2015	2015
	R	R	R	R	R
Revenue	79 048 871	27 681 381	73 495 626	24 321 932	98 115 619
Cost of sales	(53 239 153)	(19 775 267)	(49 888 753)	(16 718 667)	(68 845 119)
Gross profit	25 809 718	7 906 114	23 606 873	7 603 265	29 270 500
Other income	500 361	128 083	659 325	419 583	1 780 131
Operating expenses	(25 334 268)	(7 992 796)	(21 081 953)	(7 962 467)	(27 532 236)
Operating profit	975 811	41 401	3 184 245	60 381	3 518 395
Investment revenue	340 646	89 220	306 095	89 000	399 743
Finance costs	(213 412)	(122 713)	(374 434)	(103 511)	(244 331)
Profit before tax	1 103 045	7 908	3 115 906	45 870	3 673 807
Taxation	(308 853)	(1 567)	(872 454)	(6 704)	(921 641)
Profit for the period	794 192	6 341	2 243 452	39 166	2 752 166
Comprehensive income for the year	794 192	6 341	2 243 452	39 166	2 752 166
Total comprehensive income for the year	794 192	6 341	2 243 452	39 166	2 752 166
Profit and total comprehensive income attributable to the owners of the company	794 192	6 341	2 243 452	39 166	2 752 166

EARNINGS PER SHARE					
Basic earnings per share (cents)	1.89	0.01	5.34	0.09	6.55
Dilutive earnings per share (cents)	1.89	0.01	5.34	0.09	6.55
Headline earnings per share (cents)	1.89	0.01	5.34	0.09	6.54
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	794 192	6 341	2 243 452	39 166	2 752 166
HEADLINE EARNINGS:					
Earnings attributable to owners of the Company	794 192	6 341	2 243 452	39 166	2 752 166
Adjusted for:					
(Gain)/ loss on disposal of property plant and equipment – net of tax	-	-	-	-	(5 969)
Headline earnings for the period	794 192	6 341	2 243 452	39 166	2 746 197
Number of shares issued	42 000 000	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	42 000 000
Dividends declared per share (cents)	2.00	0.00	5.00	1.00	6.00

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION			
	UN-AUDITED	AUDITED	UN-AUDITED
	As at 31 March	As at 30 June	As at 31 March
	2016	2015	2015
	R	R	R
ASSETS			
Non-current assets			
Property plant & equipment	16 333 283	16 696 294	17 062 945
Intangible assets	1 054 191	849 170	1 086 454
Goodwill	2 686 779	2 686 779	2 686 779
Deferred tax	1 303 728	1 612 581	1 661 768
	21 377 981	21 844 824	22 497 946
Current assets			
Inventories	951 716	384 888	155 211
Current tax receivable	-	33 126	-
Trade and other receivables	17 760 819	14 731 293	12 979 366
Cash and cash equivalents	6 589 525	7 180 029	6 980 536
	25 302 060	22 329 336	20 115 113
Total assets	46 680 041	44 174 160	42 613 059
EQUITY AND LIABILITIES			
Total equity			
Issued capital	48 059	48 059	48 059
Retained earnings	32 233 249	32 279 057	32 190 343
	32 281 308	32 327 116	32 238 402
Non-current liabilities			
Finance lease liabilities	749 288	585 775	648 484
	749 288	585 775	648 484
Current liabilities			
Other financial liabilities	2 696 205	3 600 000	3 557 805
Trade and other payables	9 380 109	6 526 872	4 846 723
Finance lease liabilities	1 464 000	1 075 518	1 248 764
Shareholder's for dividend	26 545	-	-
Bank overdraft	82 586	58 879	72 881
	13 649 445	11 261 269	9 726 173
Total liabilities	14 398 733	11 847 044	10 374 657
Total equity and liabilities	46 680 041	44 174 160	42 613 059
Number of shares in issue	42 000 000	42 000 000	42 000 000
Net asset value per share (cents)	76.86	76.97	76.76
Net tangible asset value per share (cents)	67.95	68.44	67.77

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS					
	UN-AUDITED	UN-AUDITED	AUDITED	UN-AUDITED	UN-AUDITED
	For the 9 months ended 31 March	For the 3 months ended 31 March	For the year ended 30 June	For the 9 months ended 31 March	For the 3 months ended 31 March
	2016	2016	2015	2015	2015
	R	R	R	R	R
Cash flows from operating activities					
Cash (utilised)/ generated by operations	2 985 201	1 352 511	8 451 090	7 544 186	460 791
Finance cost	(213 412)	(122 713)	(244 332)	(374 434)	(103 511)
Income taxes (paid)/refunded	33 126	-	-	-	-
Net cash generated/(utilised) from operating activities	2 804 915	1 229 798	8 206 758	7 169 752	357 280
Cash flow from investing activities					
Investment revenue received	340 646	89 220	399 743	306 095	89 000
(Additions)/ disposal to plant and equipment	(975 347)	195 433	(2 794 084)	(2 897 555)	(435 500)
Proceeds from disposal of plant and equipment	-	-	212 551	-	-
Additions to intangible assets	(360 000)	(360 000)	-	-	-
Net cash used in investing activities	(994 701)	(75 347)	(2 181 790)	(2 591 460)	(346 500)
Cash flow from financing activities					
Dividends paid	(813 455)	26 545	(2 518 470)	(2 100 000)	(420 000)
Repayment of finance lease liabilities	(1 610 970)	(1 318 549)	(3 422 102)	(2 607 391)	(246 194)
Net cash used in financing activities	(2 424 425)	(1 292 004)	(5 940 572)	(4 707 391)	(666 194)
Total cash movement for the period	(614 211)	(137 553)	84 396	(129 099)	(655 414)
Cash and cash equivalents at the beginning of period	7 121 150	6 644 492	7 036 754	7 036 754	7 563 069
Cash and cash equivalents at the end of year	6 506 939	6 506 939	7 121 150	6 907 655	6 907 655

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	-	-	-	39 166	39 166
Total comprehensive income	-	-	-	39 166	39 166
Transaction with owners					
- Dividends	-	-	-	(420 000)	(420 000)
Total transactions with owners	-	-	-	(420 000)	(420 000)
Balance at 31 March 2015	4 200	43 859	48 059	32 190 343	32 238 402
Comprehensive income					
- Profit for the period	-	-	-	508 714	508 714
Total comprehensive income	-	-	-	508 714	508 714
Transaction with owners					
- Dividends	-	-	-	(420 000)	(420 000)
Total transactions with owners	-	-	-	(420 000)	(420 000)
Balance at 30 June 2015	4 200	43 859	48 059	32 279 057	32 327 116
Comprehensive income					
- Profit for the period	-	-	-	787 851	787 851
Total comprehensive income	-	-	-	-	-
Transaction with owners					
- Dividends	-	-	-	(840 000)	(840 000)
Total transactions with owners	-	-	-	(840 000)	(840 000)
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	6 341
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

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.

Related Party Relationships

Subsidiary	SkyCall Networks (Pty) Ltd
Members of key management	BR Topham MB Pretorius M van der Walt
Non-executive directors	MG Erasmus J Voigt DS Van Der Merwe

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

BR Topham	SEESA (Pty) Ltd TAG Consulting (Pty) Ltd BRAT Trust TAG Business Advisors (Pty) Ltd
MB Pretorius	Snowy Owl Properties 82 (Pty) Ltd Maison D' Obsession Trust Telemasters (Pty) Ltd
MG Erasmus	Arbor Capital Corporate Finance (Pty) Ltd Arbor Capital Sponsors (Pty) Ltd
J Voigt	Perfect Worx Consulting (Pty) Ltd Contineo Virtual Communications (Pty) Ltd

31 March 2016

30 June 2015

Related party balances

Loan accounts - Owning (to) by related parties

Maison D' Obsession Trust	(2 696 205)	(3 600 000)
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Amounts included in Trade Payable regarding related parties

SEESA (Pty) Ltd	-	3 979
Perfectworx (Pty) Ltd	15 846	-
TAG Business Advisors (Pty) Ltd	-	36 822
TAG Consulting (Pty) Ltd	33 150	-
Snowy Owl Properties 82 (Pty) Ltd	130 995	130 995

Amounts included in Trade receivable regarding related parties

Telemasters (Pty) Ltd	-	808 104
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Related party transactions

Purchases from related parties

Perfectworx Consulting (Pty) Ltd	1 201 430	1 800
Contineo Virtual Communications (Pty) Ltd	3 876 711	70 543
Telemasters (Pty) Ltd	178 895	842 149

Rent paid to (received from) related parties

Snowy Owl Properties 82 (Pty) Ltd	1 034 171	1 378 895
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Consulting fees paid to related parties

TAG Consulting (Pty) Ltd	176 400	-
SEESA (Pty) Ltd	-	108 342
TAG Business Advisors (Pty) Ltd	108 400	375 369
BRAT Trust	38 150	2 100
Arbor Capital Corporate Finance (Pty) Ltd	90 000	130 800
Arbor Capital Company Secretarial (Pty) Ltd	90 000	120 000

Sales to related parties

TAG Business Advisors (Pty) Ltd	19 686	25 388
Telemasters (Pty) Ltd	584 770	738 727

Compensation to other key management

Short-term employee benefits - Non Directors	703 905	689 072
Short-term employee benefits - Directors	1 514 250	1 514 250

1. COMPANY PROFILE

TeleMasters is licensed to provide voice, data and cloud-based corporate communication solutions 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 3 and 9 month periods ended 31 March 2016, 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 group that are consistent with those applied in the audited annual financial statements for the year 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

Revenue has increased by 7.55% from R73 495 626 to R79 048 871 in the 9 months ended March 2016. Earnings per share has reduced from 5.34 cents per share to 1.89 cents per share. The reason for the decrease has been reported in previous quarters and is a direct result of an increase in operating expenses as a result of an increase in employees in sales and technical departments in order to build capacity to grow. This has resulted in current Revenue growth despite a very competitive trading environment with pressure on pricing. Our gross profit percentage of 32.6% (2015: 32.1%) allows our business to be sustainable despite the competition in the market, which, in time, will remove many smaller players who provide inferior quality of products and services.

Cash generated from operating activities remains positive at R2 804 915, though down from R8 206 758, as a result of the increased operating expenditure and increase in trade receivables. The current asset ratio remains positive with total current assets of R25 302 060 compared with total Current liabilities of R13 649 445.

Gearing remains low with a continued cash investment of R975 347 made in fixed assets during the current period.

2.3. Dividends Paid and Declared and Dividend Declaration

The following dividends were declared during the financial period to date:

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;
- A dividend of 0.50 cents per share was declared on 14 April 2016 and payable to all shareholders recorded in the share register of the Company at the close of business on 13 May 2016

Notice is hereby given that a dividend of 0,50 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, 22 July 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 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 Tuesday, 19 July 2016. Shares will trade ex-dividend from Wednesday, 20 July 2016. The record date will be Friday, 22 July 2016 and payment will be made on Monday, 25 July 2016.

Share certificates may not be dematerialised/re-materialised between Tuesday, 19 July 2016 and Friday, 22 July 2016, both days inclusive.

2.4. Acquisition of property plant and equipment

Plant and equipment acquired during the year comprises various items of furniture and fittings, motor vehicles, office equipment, IT equipment and 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

Other than that disclosed below, 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 294 443. 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.

5. SHARE CAPITAL

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

6. FUTURE PROSPECTS

The company has launched 5 new products to supplement its connectivity services and this has been received extremely well by its sales channel partners. The push into data products has been very successful from a zero base a year ago. TeleMasters strategy is to find and dominate niches and it is succeeding with this. The 15% growth in total airtime minutes sold year on year comes partially from its resuscitation of its least-cost routing service to small and micro enterprises but at a lower price per second due to the competition on pricing in the market. It is expanding its sales partner channel and have opened 3 regional offices to support growth and customer service levels. The Virtual PBX service has grown and is finding traction at larger enterprises. The company expects an easing of pressure on prices. The pressure over the past few quarters has had the effect of an almost 30% reduction on the gross profit achieved for the period despite the increase in minutes billed. The Directors are confident that the investment in capacity building over past quarters has positioned it well for future growth.

For and on behalf of the Board:

MB Pretorius
Chief Executive Officer
30 June 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: TAG Consulting Proprietary 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