

**TELEMASTERS HOLDINGS LIMITED**

(Incorporated in the Republic of South Africa)

Registration number 2006/015734/06

Share code: TLM &amp; ISIN Number: ZAE000093324

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

**ABRIDGED CONDENSED UN-AUDITED CONSOLIDATED RESULTS FOR THE THREE MONTH PERIOD ENDED 30 SEPTEMBER 2016 AND DIVIDEND DECLARATION**

<u>CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME</u>	UNAUDITED For the 3 month period ended 30 September 2016 R	UNAUDITED For the 3 month period ended 30 September 2015 R
Revenue	29 621 540	27 240 517
Cost of sales	(20 246 914)	(17 804 507)
<b>Gross profit</b>	<b>9 374 626</b>	<b>9 436 010</b>
Operating expenses	(8 641 914)	(8 615 820)
<b>Operating profit/(loss)</b>	<b>732 712</b>	<b>820 190</b>
Investment revenue	60 497	144 853
Finance costs	(99 972)	(42 470)
<b>Profit before tax</b>	<b>693 237</b>	<b>922 573</b>
Taxation	(194 106)	(262 933)
<b>Profit for the period</b>	<b>499 131</b>	<b>659 640</b>
Comprehensive income for the period	-	-
<b>Total comprehensive income for the period</b>	<b>499 131</b>	<b>659 640</b>
<b>Profit and total comprehensive income attributable to the owners of the company</b>	<b>499 131</b>	<b>659 640</b>
<b>EARNINGS PER SHARE</b>		
Basic earnings per share (cents)	1.19	1.57
Dilutive earnings per share (cents)	1.19	1.57
Headline earnings per share (cents)	1.19	1.57
The earnings per share/ dilutive earnings per share and headline earnings per share were determined using the following information:		
<b>Basic and dilutive earnings - used in the calculation of basic and dilutive earnings per share</b>		
Earnings attributable to owners of the company	499 131	659 640

**HEADLINE EARNINGS:**

Earnings attributable to owners of the Company	499 131	659 640
Adjusted for:		
<b>Headline earnings for the period</b>	<b>499 131</b>	<b>659 640</b>
<b>Weighted number of ordinary shares</b>	<b>Number of shares</b>	<b>Number of shares</b>
Shares as at 30 September 2016	42 000 000	42 000 000
Shares as at 30 September 2015	42 000 000	42 000 000
Dividends declared per share (cents)	0.50	1.00

**CONDENSED CONSOLIDATED  
STATEMENTS OF FINANCIAL  
POSITION**

	UNAUDITED As at 30 September 2016 R	AUDITED As at 30 June 2016 R	UNAUDITED As at 30 September 2015 R
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property plant & equipment	21 442 811	21 449 451	16 632 331
Intangible assets	910 872	962 532	797 509
Goodwill	2 686 779	2 686 779	2 686 779
Deferred tax	651 773	845 879	1 349 648
	<b>25 692 235</b>	<b>25 944 641</b>	<b>21 466 267</b>
<b>Current assets</b>			
Inventories	612 751	633 165	267 773
Current tax receivable	-	-	33 126
Trade and other receivables	23 320 691	21 212 291	14 571 790
Cash and cash equivalents	2 411 256	3 614 713	6 604 667
	<b>26 334 698</b>	<b>25 460 169</b>	<b>21 477 356</b>
<b>Total assets</b>	<b>52 036 933</b>	<b>51 404 810</b>	<b>42 943 623</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Total equity</b>			
Issued capital	48 059	48 059	48 059
Retained earnings	33 321 445	33 032 313	32 518 697
	<b>33 369 504</b>	<b>33 080 372</b>	<b>32 566 756</b>
<b>Non-current liabilities</b>			
Finance lease liabilities	3 139 547	2 651 125	608 682
Deferred income	719 416	722 541	
	<b>3 858 963</b>	<b>3 373 666</b>	<b>608 682</b>
<b>Current liabilities</b>			
Other financial liabilities	3 194 721	2 494 721	3 380 805
Finance lease liabilities	2 083 316	2 434 603	1 181 561
Trade and other payables	9 191 870	9 689 878	5 115 063
Deferred income	255 973	260 329	-
Bank overdraft	82 586	71 241	90 756
	<b>14 808 466</b>	<b>14 950 772</b>	<b>9 768 185</b>
<b>Total liabilities</b>	<b>18 667 429</b>	<b>18 324 438</b>	<b>10 376 867</b>
<b>Total equity and liabilities</b>	<b>52 036 933</b>	<b>51 404 810</b>	<b>42 943 623</b>
Number of shares in issue	42 000 000	42 000 000	42 000 000
Net asset value per share (cents)	<b>79.45</b>	<b>78.76</b>	<b>77.54</b>
Net tangible asset value per share (cents)	<b>70.89</b>	<b>70.07</b>	<b>69.24</b>

**CONDENSED CONSOLIDATED**  
**STATEMENTS OF CASH FLOWS**

	<b>UNAUDITED</b> <b>For the 3 months ended</b> <b>30 September</b> <b>2016</b> <b>R</b>	<b>UNAUDITED</b> <b>For the 3 months</b> <b>ended 30 September</b> <b>2015</b> <b>R</b>
<b>Cash flows from operating activities</b>		
Cash generated/(utilised) by operations	(973 607)	589 171
Finance cost	(99 972)	(42 470)
Income taxes refunded/(paid)	-	-
<b>Net cash generated/(utilised) from operating activities</b>	<b>(1 073 579)</b>	<b>546 701</b>
<b>Cash flow from investing activities</b>		
Investment revenue received	60 497	144 853
(Additions)/disposal to plant and equipment	-	(788 548)
<b>Net cash used in investing activities</b>	<b>60 497</b>	<b>(643 695)</b>
<b>Cash flow from financing activities</b>		
Dividends paid	(210 000)	(420 000)
Proceeds from other finance liabilities	700 000	-
Repayment of borrowings	(691 720)	(90 245)
<b>Net cash used in financing activities</b>	<b>(201 720)</b>	<b>(510 245)</b>
Total cash movement for the period	(1 214 802)	(607 239)
Cash and cash equivalents at the beginning of the year	3 543 472	7 121 150
<b>Cash and cash equivalents at the end of period</b>	<b>2 328 670</b>	<b>6 513 911</b>

**CONDENSED CONSOLIDATED  
STATEMENTS OF CHANGES IN  
EQUITY**

	Share capital R	Share premium R	Total share capital R	Retained Earnings R	Total equity R
<b>Balance at 30 June 2015</b>	<b>4 200</b>	<b>43 859</b>	<b>48 059</b>	<b>32 279 057</b>	<b>32 327 116</b>
Comprehensive income					
- Profit for the period	-	-	-	659 640	659 640
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>659 640</b>	<b>659 640</b>
Transaction with owners					
- Dividends	-	-	-	(420 000)	(420 000)
<b>Total transactions with owners</b>				<b>(420 000)</b>	<b>(420 000)</b>
<b>Balance at 30 September 2015</b>	<b>4 200</b>	<b>43 859</b>	<b>48 059</b>	<b>32 518 697</b>	<b>32 566 756</b>
Comprehensive income					
- Profit for the period	-	-	-	1 353 617	1 353 617
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 353 617</b>	<b>1 353 617</b>
Transaction with owners					
- Dividends	-	-	-	(840 000)	(840 000)
<b>Total transactions with owners</b>					
<b>Balance at 30 June 2016</b>	<b>4 200</b>	<b>43 859</b>	<b>48 059</b>	<b>33 032 314</b>	<b>33 080 373</b>
Comprehensive income					
- Profit for the period	-	-	-	499 131	499 131
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>499 131</b>	<b>499 131</b>
Transaction with owners					
- Dividends	-	-	-	(210 000)	(210 000)
<b>Total transactions with owners</b>					
<b>Balance at 30 September 2016</b>	<b>4 200</b>	<b>43 859</b>	<b>48 059</b>	<b>33 321 445</b>	<b>33 369 504</b>

**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+, our main technologies, 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 – Executive director MB Pretorius – Executive director 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 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 Company Secretarial (Pty) Ltd
J Voigt	PerfectWorx Consulting (Pty) Ltd Contineo Virtual Communications (Pty) Ltd

	<b>30 September 2016</b>	<b>30 September 2015</b>
<b>Related party balances</b>		
<b>Loan accounts - Owing (to) by related parties</b>		
Maison D' Obsession Trust	(3 194 721)	(3 380 805)
<b>Amounts included in Trade receivable regarding related parties</b>		
Telemasters (Pty) Ltd	(14 409)	791 143
TAG Business Advisors (Pty) Ltd	1 905	-
<b>Amounts included in Trade Payable regarding related parties</b>	-	-
<b>Related party transactions</b>		
<b>Cost of Sales from related parties</b>		
PerfectWorx Consulting (Pty) Ltd	523 669	348 345
Contineo Virtual Communications (Pty) Ltd	1 385 165	313 856
Telemasters (Pty) Ltd	52 632	105 263
<b>Rent paid to related parties</b>		
Snowy Owl Properties 82 (Pty) Ltd	344 724	344 724
<b>Consulting fees paid to related parties</b>		
SEESA (Pty) Ltd	-	54 000
TAG Business Advisors (Pty) Ltd	-	76 209
Arbor Capital Corporate Finance (Pty) Ltd	30 000	-
Arbor Capital Company Secretarial (Pty) Ltd	30 000	60 000
TAG Consulting (Pty) Ltd	69 825	-
<b>Sales to related parties</b>		
TAG Business Advisors (Pty) Ltd	4 856	7 409
Telemasters (Pty) Ltd	57 537	128 105

<b>Compensation to key management</b>		
Short-term employee benefits – Key Management non-directors	232 887	232 887
Short-term employee benefits – Directors	474 750	365 849

## 1. COMPANY PROFILE

TeleMasters is licensed to provide voice, data and cloud based corporate communication. It 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 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 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 that are consistent with those applied in the audited annual financial statements for the period ended 30 June 2016.

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 for the first quarter is up by 8.74% compared to the previous quarter. The Gross margin percentage period on period is down by 3% as a result of the costs of initialising new Service providers. The healthy gross margin percentage of 31% is indicative of the greater profitability of the Digital platform making up a greater part of our technology platform used to deliver services to customers.

EPS has fallen from 1.57 cents per share to 1.19 cents per share for the quarter as a result of the cost of additional capacity in order to improve the quality of service to customers and for additional role out of services in the coming periods. This is part of the Group’s investment decision to build capacity for the future.

We have invested R828 857 (2015: R788 548) in telecommunications equipment for new client installations. This higher investment has resulted in a substantial change of how we operate and has necessitated a change in the financing approach taken by the Group with a decision to finance equipment with long term finance. Our borrowing approach will be impacted by this decision in the coming periods.

Included in Trade and other receivables are prepayments of R7 646 826 (Prior period R0) and R4 816 038 for 30 June 2016, which represent the expenditure paid upfront and matched to the period of Revenue generation relating to new installations at customers.

The Net Asset Value per share increased from 78.76 cents at the beginning of the period to 79.45 cents after paying a dividend of 0.5 cents per share.

### 2.3. Dividends paid and notice of declaration of a dividend

The following dividends were 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.

Notice is hereby given that a dividend of 0.5 cents per share has been declared and is payable to all shareholders recorded in the share register of the Company at the close of business on Friday, 15 January 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 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, 10 January 2017. Shares will trade ex-dividend from Wednesday, 11 January 2017. The record date will be Friday, 13 January 2017 and payment will be made on Monday, 16 January 2017.

Share certificates may not be dematerialised/ re-materialised between Wednesday, 11 January 2017 and Friday, 13 January 2017, both days inclusive.

## 2.4. Acquisition of property plant and equipment

Property, plant and equipment acquired during the year was comprised mostly of investments in IT equipment and routers and handsets to assist with the expansion of the Digital Direct product.

## 2.5 Reclassification

The comparative period cash flow statement has been reclassified as follows:

	Restated	Previously stated	Difference
Additions to plant & equipment	(788 548)	(743 548)	(45 000)
<b>Net cash used in Investing Activities</b>	<b>(643 695)</b>	<b>(598 695)</b>	<b>(45 000)</b>

The restatement of the 2016 first quarter figures were identified following a review of prior period disclosure as a result of findings of the Johannesburg Stock Exchange ("JSE") pro-active monitoring process whereby the 2015 AFS were selected for review. This restatement is as a result of a casting error in the published quarterly results.

No changes to the statement of Financial Position, Statement of Comprehensive Income or to the total cash movement for the period as a result of the above restatement, occurred.

## 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 Company in excess of the R4.3 million outstanding receivable. The previous client has lodged a counter claim against the Company for a similar amount to the claim the Company has against them. The matter has been referred for arbitration, which is in process. Due to the technical nature of the claim, progress has been slow.
- The Company is currently involved in litigation with a previous supplier relating to contractual disputes over amounts billed by the supplier to the value of R1.4 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 past financial year.



## 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. FINANCIAL INSTRUMENTS

The carrying amount of all significant financial instruments approximates the fair value.

## 9. FINANCIAL RISK MANAGEMENT AND FAIR VALUE

There has been no material change in the Group's financial risk management objectives and policies compared to those disclosed in the consolidated annual financial statements as at and for the year ended 30 June 2016.

The Group does not currently carry any assets or liabilities at fair value which required any disclosure on its fair value measurement.

## 10. FUTURE PROSPECTS

The Company's strategy to keep investing in technology upgrades impacted the short term results as reflected in this quarter. The sales trend is positive and the Company continues to generate profits with pressure on cash resources due to the rate of capital investment. The uptake of the newest offering is very encouraging and is a basis to expand from. Some rationalization of the resources took place with short term positive cost impact. The rate of price reductions in the telecoms market is slowing down and at the same time the medium term cost of data provisioning is set to decline; both factors impact positively on expectations. A 6 month advertising and awareness campaign on electronic media brought thousands of business visitors. We remain positive of the slower, but constant future growth prospects for the Group focussing on the use of a digital backed service platform for client solutions.

For and on behalf of the Board:

MB Pretorius  
Chief Executive Officer  
21 December 2016

BR Topham  
Chief Financial Officer

### Corporate information

Directors: DS van Der Merwe<sup>#</sup>, MB Pretorius, BR Topham, J Voigt\* MG Erasmus\*  
(\* non-executive <sup>#</sup> 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, 13<sup>th</sup> Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2017

Designated Advisor: Arbor Capital Sponsors Proprietary Limited

Website: [www.telemasters.co.za](http://www.telemasters.co.za)