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Telemasters: A good citizen

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Johannesburg - Small company annual meetings (AGMs) don't ordinarily last longer than five minutes. Particularly if there's nothing controversial on the agenda

But AltX-listed TeleMasters clearly takes its responsibility as a good corporate citizen seriously.

Its maiden AGM this morning lasted nearly an hour and a half, most of this taken up by presentations from CEO Mario Pretorius and chief financial officer Brandon Topham briefing shareholders on the company's performance, and taking questions from shareholders (OK so most of them were staff members, but still).

Never before have I attended an AGM where the financial director actually goes through the numbers before asking shareholders to adopt the financial statements of the previous year. Another first was being invited to ask questions throughout the course of an AGM, despite merely being a visitor, not a shareholder.

I took TeleMasters to task in a Finweek 'Between the Sheets' article recently, saying it needed to appoint more non-executive directors, and went along to the AGM half expecting this to be the case.

Cool with King

But Pretorius said the company would make two new "independent" non-executive appointments in the near future.

The new Companies Act requires company boards to have at least two independent non-executive directors on their audit committee. But Topham said it still had until the end of this financial year to comply with this rule and was in the process of doing so.

TeleMasters does not comply with the King Code on Corporate Governance in respect of not having a remuneration committee. Pretorius said the directors would not receive salary increases until this was the case.

Although small, the company is interesting and seems poised to deliver the goods (based on its pre-listed track record, and maiden results performance).

But it is saddled by liquidity issues - Pretorius, the founder, owns 85% of the shares - and has no black economic empowerment (BEE) ownership.

The company recognises it needs to address both these issues and said these would be a priority this year.

TeleMasters plans to issue new shares for cash should any acquisitions come along, and in this way broaden the ownership base.

BEE

It also plans to do a BEE deal, although as Topham explained, BEE and improving liquidity were almost divergent goals, given that a company always wants the BEE shareholder to remain locked in for the medium to long term.

It was interesting to see that Black Information Technology Empowerment Company (Blitec) chairperson Nkosinathi Mbetha was among the audience members, particularly as we were only amongst a handful of visitors attending the AGM. I left feeling that it would not be a surprise if TeleMasters and Blitec later announced a deal. But perhaps I'm reading too much into his presence there.

All the resolutions proposed at the AGM got the thumbs up from 100% of shareholders present and voting.

Attendees shared a light-hearted laugh when voting on the reelection of Pretorius as the company CEO (imagine being the only one voting against your boss being reelected - a serious career limiting move).

Interestingly, however, among the resolutions was a request for general permission to buy back shares. Pretorius said it had no intention to use this authority, but had simply proposed it as "a backstop", as this would prevent the company from having to call a special general meeting should it need to buy back shares. The intention, he said, was however, rather to increase the shares in issue.

TeleMasters recently announced two acquisitions, spending R29.6m on value-added network service licenced wireless application service provider (WASP) Marketel, and an undisclosed amount on the cellular least-cost routing (LCR) income stream of Samsung PABX reseller Motion Telecommunication.

The company aims to diversify beyond LCR, to being more of a value adding telecoms service provider that helps to save its customers money, as its industry matures and faces the threat to margins of lower interconnect rates.

- Fin24