

TLM**TLM - TeleMasters – Unaudited Interim Results For The Three Month Period Ended 31 December 2009**

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")

UNAUDITED INTERIM RESULTS FOR THE THREE MONTH PERIOD ENDED 31 DECEMBER 2009

STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 3 months ended 31 December 2009 R	Unaudited 3 months ended 31 December 2008 R
Revenue	62,927,890	57,101,383
Cost of sales	(52,833,132)	(48,878,226)
Gross profit	10,094,758	8,223,157
Operating expenses	(5,415,624)	(3,745,709)
Operating profit	4,679,133	4,477,448
Investment income	199,602	366,344
Finance costs	(136,899)	(102,039)
Profit before taxation	4,741,837	4,741,753
Taxation	(1,561,292)	(1,565,915)
Profit for the period	3,180,545	3,175,838
Total comprehensive income for the period	3,180,545	3,175,838
Basic earnings per share (cents)	7.57	7.56
Diluted earnings per share (cents)	7.57	7.56

Headline earnings reconciliation:

Profit for the period	3,180,545	3,175,838
Adjustments:	-	-
Headline earnings for the period	3,180,545	3,175,838
Headline earnings per share (cents)	7.57	7.56
Diluted Headline earnings per share (cents)	7.57	7.56
Weighted average shares in issue ('000)	42,000,000	42,000,000
Dividends declared per share (cents)	4.0	4.0
Dividends paid per share (cents)	4.0	16.0*

* See note 2.3 below

STATEMENT OF FINANCIAL POSITION

	Unaudited at 31 December 2009 R	Restated and Unaudited at 31 December 2008 R
ASSETS		
Non-current assets		
Property, plant and equipment	17,914,783	14,354,593
Intangible assets	3,297,345	5,126,406
Deferred tax assets	370,798	248,440
	<u>21,582,926</u>	<u>19,729,439</u>
Current assets		
Trade and other receivables	14,729,579	17,162,109
Cash and cash equivalents	22,020,093	16,960,277
	<u>36,749,672</u>	<u>34,122,386</u>
Total assets	<u>58,332,598</u>	<u>52,751,825</u>
EQUITY AND LIABILITIES		
Equity and reserves		
Issued capital	2,148,059	5,508,059
Retained earnings	27,485,512	16,437,374
	<u>29,633,571</u>	<u>21,945,433</u>
Non-current liabilities		
Finance lease liabilities	3,269,426	3,087,655
	<u>3,269,426</u>	<u>3,087,655</u>
Current liabilities		
Trade and other payables	17,976,200	17,517,167
Current portion of finance lease liabilities	2,000,217	1,747,406
Current tax payable	3,482,602	7,796,953
Dividend payable	1,679,441	1,661,502
Provisions	248,742	66,743
Bank overdraft	42,399	28,966
	<u>25,429,601</u>	<u>28,818,737</u>
Total equity and liabilities	<u>58,332,598</u>	<u>53,851,825</u>
Number of shares in issue	42,000,000	42,000,000
Net asset value per share (cents)	70.56	52.25
Net tangible asset value per share (cents)	62.71	40.05

STATEMENT OF CASH FLOWS

	Unaudited at 31 December 2009 R	Restated and Unaudited at 31 December 2008 R
Cash flows from operating activities		
Cash generated from operations	13,777,968	5,724,260
Finance costs	(136,899)	(102,039)
Tax paid	(5,617,208)	-
Net cash inflow from operating activities	8,023,861	5,622,221
Cash flows from investing activities		
Property, plant and equipment acquired	(1,020,579)	(3,583,579)
Investment income	199,602	366,344
Intangible assets acquired	-	(2,900,000)
Net cash outflow from investing activities	(820,977)	(6,117,235)
Cash flows from financing activities		
Instalment sale agreements obtained	810,167	1,990,263
Dividends paid	(1,681,152)	(1,278,498)
Repayment of instalment sale agreements	(519,885)	(286,195)
Net cash (outflow) / inflow from financing activities	(1,390,870)	425,570
Net increase / (decrease) in cash and cash equivalents	5,812,014	(69,444)
Cash and cash equivalents at the beginning of the period	16,165,680	17,000,755
Cash and cash equivalents at the end of the period	21,977,694	16,931,311

STATEMENT OF CHANGES IN EQUITY

	Issued capital	Share premium	Total share capital	Retained income	Total Equity
Balance at 30 September 2007	4,200	5,503,859	5,508,059	11,013,525	16,521,584
Profit for the period ended 31 December 2007	-	-	-	1,252,417	1,252,417
Dividends declared	-	-	-	(5,040,000)	(5,040,000)
Balance at 31 December 2007	4200	5,503,859	5,508,059	7,225,942	12,734,001
Profit for the period ended 30 September 2008	-	-	-	12,755,594	12,755,594
Dividends declared	-	-	-	(5,040,000)	(5,040,000)
Balance at 30 September 2008	4,200	5,503,859	5,508,059	14,941,536	20,449,595
Profit for the period ended 31 December 2008	-	-	-	3,175,838	3,175,838
Dividends declared	-	-	-	(1,680,000)	(1,680,000)
Balance at 31 December 2008	4,200	5,503,859	5,508,059	16,437,374	21,945,433
Profit for the period ended 30 September 2008	-	-	-	11,227,593	11,227,593
Dividends declared	-	-	-	(1,680,000)	(1,680,000)
Capital distributions	-	(3,360,000)	(3,360,000)	-	(3,360,000)
Balance at 30 September 2009	4,200	2,143,859	2,148,059	25,984,967	28,133,026
Profit for the period ended 31 December 2009	-	-	-	3,180,545	3,180,545
Dividends declared	-	-	-	(1,680,000)	(1,680,000)
Balance at 31 December 2009	4,200	2,143,859	2,148,059	27,485,512	29,633,571

SEGMENT REPORT

The Company 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. Accordingly there is no meaningful segmental information to report other than the following information:

	Unaudited 3 months Ended 31 December 2009 R	Unaudited 3 months ended 31 December 2008 R
Revenue by Nature		
Sale of airtime	56,827,737	52,471,559
Connection incentive bonuses	4,521,487	3,699,301
Other	1,578,666	930,523
	<u>62,927,890</u>	<u>57,101,383</u>

Major customers

Revenues from transactions with a single external customer amounting to 10 percent or more of the Company's revenue, are disclosed below:

- Customer 1	14,468,120	13,548,872
- Other customers	48,459,770	43,552,511
	<u>62,927,890</u>	<u>57,101,383</u>

1. COMPANY PROFILE

TeleMasters is a specialist tele-management and business communication strategy player operating exclusively in the South African market focussing on the corporate market. The company provides current and future clients access to the most efficient and effective telecommunication technologies.

2. FINANCIAL RESULTS

2.1 Statement of compliance and basis of preparation

The interim financial statements for the three months ended 31 December 2009 have been presented in accordance with IAS 34, *Interim Financial Reporting*, and in the manner required by the Companies Act of South Africa and the JSE Listings Requirements. The results have been prepared in accordance with accounting policies of the Company that are consistent with the prior period and comply with International Financial Reporting Standards. These results have not been reviewed or audited by the Company's auditors.

2.2 Commentary

The directors are pleased to report a successful quarter with growth in Revenue of 10% compared to the comparative period in the preceding financial year. The increase in Revenue is due to all partners' commitment to the existing client base to provide the most efficient telecommunication solutions for their businesses and the optimisation of our revenue streams through our revenue enhancement programme.

The Company's fundamental basic business model proves successful despite the poor economic conditions currently prevailing in the international markets. The Company has shown an increase in gross profit of 23%. The EPS remained fairly constant at 7.57 cents per share.

The Operating expenses have increased by 45%. The main contributors to this increase were:

- Depreciation increased with R252 293 due to further capital investments in Property, plant and equipment of R3 560 190 compared to the prior period;
- As a result of the higher asset base, Repairs & maintenance for the period increased with R131 747;
- Since the beginning of the current period, the Company rented additional office space to accommodate the increased staff complement and operations. This led to a total increase in occupancy costs of R209 413;
- The higher staff complement resulted in an increase in Employee costs of R638 421. This was due to additional salaries and a reallocation from cost of sales due to a change in employment position as well as the company policy to pay full medical aid contribution for all staff with service in excess of 5 years.

It is company policy to fund the acquisition of certain Property, plant and equipment through the use of Finance lease agreements. The total amount outstanding at the end of the period for Finance lease liabilities was R5 269 643 (2008: R4 835 061). This explains the increase in Finance costs of 34% for the period.

The Company remains cash positive with a good liquidity position. The Company improved its cash flows from operating activities with 43% compared to the previous period.

The Net Asset Value (NAV) per share increased by 35% since the end of the comparative quarter. Net Tangible Asset per share is up 57%.

The comparative periods in the Statement of financial position and the Statement of cash flows were restated to correct allocations in the previous communication to shareholders:

- The Intangible asset was initially disclosed as R6 226 406. Included in this balance was an amount of R1 100 000 that related to Routers and handsets that was included in the original purchase price. This was re-allocated to Property, plant and equipment to reflect the true nature of the asset pursuant to the purchase price allocation in accordance with IFRS 3;
- In the Statement of cash flows the amount of Dividends paid for the period was incorrectly disclosed as R18 498. This actually represented the amount owed to shareholders as at the end of the period. The Statement of cash flows was corrected to reflect the amount actually paid of R1 278 498.

2.3. Dividends

The board has recently declared a quarterly interim dividend of 4 cents per share ("the dividend"), which was paid to all shareholders recorded in the share register of the Company at the close of business on Friday, 15 January 2009. The board will continue with the policy of declaring quarterly dividends and, over the course of the year, intends maintaining a high dividend policy.

During the first quarter ended 31 December 2008, the Company declared an interim dividend of 4 cents for the quarter. The Dividend paid per share of 16 cents included this declared dividend and the 12 cent dividend paid for the prior 12 month period.

3. LITIGATION

There are currently no legal or arbitration proceedings against the Company (including any proceedings which are pending or threatened) of which the Company 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 Company

4. SUBSEQUENT EVENTS

The directors are not aware of any matter or circumstance arising since the reporting date which would have an effect on the Company.

5. SHARE CAPITAL

No changes to Share capital occurred during the period.

6. OPERATIONAL REVIEW AND PROSPECTS

The Company has noted a definite slowdown in the economy and an increased number of clients are being liquidated or ceased their business operations. The directors have implemented measures to limit the risk exposure of the Company in this regard and are confident that margins can still be achieved. The Company is constantly searching for ways to expand growth and limit expenditure and will continue to do so in the foreseeable future.

7. CHANGES IN THE COMPOSITION OF THE BOARD

On 18 January 2010, Ms Nolene Owen was appointed as Financial Director. The role of Mr Brandon Topham changed from Financial Director to non-executive director on this same date.

For and on behalf of the Board:

MB Pretorius
Chief Executive Officer

N Owen
Chief Financial Officer

04 February 2010

Corporate information

Directors: DS van Der Merwe*, MB Pretorius, IG Bekker, N Owen, BR Topham*, J Voigt*, VI Beck*
(* non-executive)

Registered address: Equity Estate Building 2, Masters House, Charles de Gaulle Crescent, Highveld Park Ext 9, Centurion, (P.O. Box 68255, Highveld Park, 0169)

Company secretary: Brandon Topham Inc.

Auditors: BDO, Block C, Riverwalk Office Park, 41 Matroosberg Avenue, Ashlea Gardens, Pretoria

Transfer secretaries: Computershare Investor Services Limited, 70 Marshall Street, Johannesburg, 2001 (P.O. Box 61051, Marshalltown, 2107)

Designated Advisor: Arcay Moela Sponsors (Proprietary) Limited

Website: www.telemasters.co.za