

TLM

TLM - TeleMasters – Unaudited Condensed Consolidated Interim Results For The Three And Six Month Periods Ended 31 March 2011

TELEMASTERS HOLDINGS LIMITED AND ITS SUBSIDIARY

(Incorporated in the Republic of South Africa)

(Registration number 2006/015734/06)

Share code: TLM & ISIN Number: ZAE000093324

("TeleMasters" or "the Company")

**UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS
FOR THE THREE AND SIX MONTH PERIODS ENDED 31 MARCH 2011**

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Unaudited 3 months ended 31 March 2011	Unaudited 3 months ended 31 March 2010	Unaudited 6 months ended 31 March 2011	Unaudited 6 months ended 31 March 2010
	R	R	R	R
Revenue	71 765 702	54 538 625	157 996 272	117 466 515
Cost of sales	(58 690 803)	(45 249 049)	(131 682 599)	(98 082 181)
Gross profit	13 074 899	9 289 576	26 313 673	19 384 334
Operating expenses	(7 950 281)	(8 528 379)	(16 122 042)	(13 944 003)
Operating profit	5 124 618	761 197	10 191 631	5 440 331
Investment income	206 107	226 989	418 475	426 591
Finance costs	(123 829)	(188 726)	(215 448)	(325 625)
Profit before taxation	5 206 896	799 460	10 394 658	5 541 297
Taxation	(1 987 245)	(333 309)	(3 794 689)	(1 894 601)
Profit for the period	3 219 651	466 151	6 599 969	3 646 696
Total comprehensive income for the period	3 219 651	466 151	6 599 969	3 646 696
Basic earnings per share (cents)	7.67	1.11	15.71	8.68
Diluted earnings per share (cents)	7.67	1.11	15.71	8.68
Headline earnings reconciliation:				
Profit for the period	3 219 651	466 151	6 599 969	3 646 696
Adjustments: (Profit)/loss on disposal of property, plant and equipment	-	43 298	(19 315)	43 298
Headline earnings for the period	3 219 651	509 449	6 580 654	3 689 994
Headline earnings per share (cents)	7.67	1.21	15.67	8.79
Diluted headline earnings per share (cents)	7.67	1.21	15.67	8.79
Weighted average shares in issue	42 000 000	42 000 000	42 000 000	42 000 000
Dividends declared per share (cents)	4.00	4.00	8.00	8.00

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited at 31 March 2011 R	Audited at 30 September 2010 R
ASSETS		
Non-current assets		
Property, plant and equipment	15 435 884	16 600 971
Intangible assets	2 364 356	2 842 631
Goodwill	2 686 779	2 686 779
Deferred tax assets	4 875 188	3 860 944
Total non-current assets	25 362 207	25 991 325
Current assets		
Trade and other receivables	19 625 201	18 726 561
Cash and cash equivalents	24 829 129	20 144 204
Total current assets	44 454 330	38 870 765
Total assets	69 816 537	64 862 090
EQUITY AND LIABILITIES		
Capital and reserves		
Issued capital	48 059	48 059
Retained earnings	33 259 293	30 019 324
Total equity	33 307 352	30 067 383
Non-current liabilities		
Finance lease liabilities	1 120 284	2 096 728
Total non-current liabilities	1 120 284	2 096 728
Current liabilities		
Trade and other payables	27 226 238	26 438 205
Current portion of finance lease liabilities	2 482 927	2 426 455
Current tax payable	3 926 068	2 044 085
Shareholders for dividend	1 694 233	1 717 055
Bank overdraft	59 435	72 179
Total current liabilities	35 388 901	32 697 979
Total liabilities	36 509 185	34 794 707
Total equity and liabilities	69 816 537	64 862 090
Number of shares in issue	42 000 000	42 000 000
Net asset value per share (cents)	79.30	71.59
Net tangible asset value per share (cents)	67.28	58.42

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Unaudited at 31 March 2011	Unaudited at 31 March 2010
	R	R
Cash flows from operating activities		
Cash generated from operations	12 648 801	17 596 388
Finance costs	(215 448)	(325 625)
Tax paid	(2 926 950)	(9 248 436)
Net cash inflow from operating activities	9 506 403	8 022 327
Cash flows from investing activities		
Property, plant and equipment acquired	(943 730)	(2 132 193)
Proceeds on sale of property, plant and equipment	19 315	261 966
Investment income	418 475	426 591
Intangible assets acquired	-	(915 233)
Net cash outflow from investing activities	(505 940)	(2 358 869)
Cash flows from financing activities		
Instalment sale agreements obtained	251 994	-
Dividends paid	(3 382 822)	(3 354 710)
Repayment of instalment sale agreements	(1 171 966)	(1 287 269)
Net cash outflow from financing activities	(4 302 794)	(4 641 979)
Net increase in cash and cash equivalents	4 697 669	1 021 479
Cash and cash equivalents at the beginning of the period	20 072 025	16 165 680
Cash and cash equivalents at the end of the period	24 769 694	17 187 159

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital	Share premium	Total share Capital	Retained Income	Total Equity
Balance at 30 September 2009	4 200	2 143 859	2 148 059	25 984 966	28 133 025
Profit for the period ended 31 March 2010	-	-	-	3 646 696	3 646 696
Prior year correction of deferred tax	-	-	-	(1 899 257)	(1 899 257)
Dividends declared	-	-	-	(3 360 000)	(3 360 000)
Balance at 31 March 2010	4 200	2 143 859	2 148 059	24 372 405	26 520 464
Profit for the period ended 30 September 2010	-	-	-	6 066 919	6 066 919
Capital distributions	-	(2 100 000)	(2 100 000)	-	(2 100 000)
Dividends declared	-	-	-	(420 000)	(420 000)
Balance at 30 September 2010	4 200	43 859	48 059	30 019 324	30 067 383
Profit for the period ended 31 March 2011	-	-	-	6 599 969	6 599 969
Dividends declared	-	-	-	(3 360 000)	(3 360 000)
Balance at 31 March 2011	4 200	43 859	48 059	33 259 293	33 307 352

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 March 2011 R	Unaudited 3 months ended 31 March 2010 R	Unaudited 6 months ended 31 March 2011 R	Unaudited 6 months ended 31 March 2010 R
Revenue by nature				
Sale of airtime	71 640 929	53 193 727	157 806 804	110 021 464
Connection incentive bonuses	-	45 750	5 150	4 567 237
Other	124 773	1 299 148	184 318	2 877 814
Total revenue	71 765 702	54 538 625	157 996 272	117 466 515

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 A	6 840 228	13 988 080	16 857 954	28 456 200
- Customer B	23 182 941	-	50 317 998	-
- Other customers	41 742 533	40 550 545	90 820 319	89 010 315
Total revenue	71 765 702	54 538 625	157 996 272	117 466 515

1. COMPANY PROFILE

TeleMasters is a specialist tele-management and business communication strategy player operating exclusively in the South African corporate market. It is now a full ICASA licensed Service Provider. The company provides current and future clients access to the most efficient and effective digital telecommunication technologies.

2. FINANCIAL RESULTS

2.1 Statement of compliance and basis of preparation

The interim financial statements for the three and six months ended 31 March 2011 have been presented in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards, the information required by IAS 34: *Interim Financial Reporting*, the South African Companies Act, as amended, the AC500 Standards as issued by the Accounting Practices Board and the JSE Listings Requirements. The results have been prepared in accordance with accounting policies of the Company that are consistent with those applied in the audited annual financial statements for the year ended 30 September 2010. These results have not been reviewed or audited by the Company's auditors.

2.2 Significant items included in results

New customer contract

The Company's contract with Customer B, concluded in October 2010, runs on a month-to-month basis. During the quarter under review, revenue earned from this customer under the said contract totalled R23 182 941, and for the six months ended 31 March 2011 revenue totalled R50 317 998.

Provision for doubtful debt

Due to the change in operational risk and the continuing poor market conditions the Company increased its provision for doubtful debt from R424 958 at 30 September 2010 to R3 717 212 at 31 March 2011.

2.3. Dividends

On 22 December 2010 the board has declared a quarterly interim dividend of 4 cents per share, which was paid to all shareholders recorded in the share register of the Company at the close of business on Friday, 21 January 2011. On 31 March 2011, and announced on 1 April 2011, the board has declared another quarterly interim dividend of 4 cents per share, which was paid to all shareholders recorded in the share register of the Company at the close of business on Friday 29 April 2011.

During the comparative period ended 31 March 2010 the Company declared two quarterly cash dividends of 4 cents each.

The board will continue with the policy of declaring quarterly dividends.

2.4. Related party transactions

The following material transactions with related parties occurred during the quarter under review:

	Unaudited 3 months ended 31 March 2011	Unaudited 3 months ended 31 March 2010	Unaudited 6 months ended 31 March 2011	Unaudited 6 months ended 31 March 2010
	R	R	R	R
<i>Sales to related parties</i>				
TeleMasters (Pty) Ltd	9 083 218	13 811 700	21 961 533	28 151 470
<i>Purchases from related parties</i>				
TeleMasters (Pty) Ltd	1 130 518	655 846	1 919 576	1 946 453
Snowy Owl Properties 82 (Pty) Ltd	295 545	105 421	344 803	210 841

	Unaudited at 31 March 2011	Audited at 30 September 2010
	R	R
Balances owing by related parties included in Trade and other receivables		
TeleMasters (Pty) Ltd	2 276 377	7 030 229
Balances owing to related parties included in Trade and other payables		
TeleMasters (Pty) Ltd	670 236	150 956
Snowy Owl Properties 82 (Pty) Ltd	-	9 748

2.5. Acquisition of property, plant and equipment

Property, plant and equipment acquired during the quarter comprise 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 since the reporting date which would have a material effect on the consolidated results or the consolidated financial position of the Company as reported.

4. FUTURE PROSPECTS

The Board is confident about the future prospects of the Company, as conversion from its traditional least-cost routing business to ICASA licensed business takes place.

For and on behalf of the Board:

MB Pretorius
Chief Executive Officer

E Rossouw
Financial Director

23 June 2011

Corporate information

Directors: DS van Der Merwe[#], J Voigt*, VI Beck^{*#}, MB Pretorius, BR Topham, E Rossouw
(* 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 Inc.

Auditors: BDO South Africa Inc., Block C, Riverwalk Office Park, 41 Matroosberg Avenue, Ashlea Gardens, Pretoria

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

Designated Advisor: Arcay Moela Sponsors (Proprietary) Limited

Website: www.telemasters.co.za