


**Telemasters Holding Ltd**

(Incorporated in the Republic of South Africa)

(Registration number 2006/015734/06)

Share code: TLM &amp; ISIN Number: ZAE000093324

("TeleMasters" or "the Company")

**Interim financial results for the 9 month interim period ended 30 June 2008**
**FINANCIAL RESULTS**
**COMMENTARY**

<b>INCOME STATEMENT</b>		
	<b>Unaudited 9 months ended 30 June 2008</b>	<b>Unaudited 9 months ended 30 June 2007</b>
<b>Revenue</b>	<b>128,391,974</b>	<b>108,275,119</b>
Cost of sales	106,684,757	-90,797,092
<b>Gross profit</b>	<b>21,707,217</b>	<b>17,478,027</b>
Operating expenses	-9,829,758	-7,053,297
Operating Profit	11,877,459	10,424,730
Investment income	878,097	217,707
Finance costs	-153,634	0
<b>Profit before taxation</b>	<b>12,601,922</b>	<b>10,642,437</b>
Taxation	-4,381,805	-3,078,860
<b>Attributable earnings for the period</b>	<b>8,220,117</b>	<b>7,563,577</b>
	6.40%	6.99%
<b>Reconciliation of headline earnings:</b>		
Attributable earnings	8,220,117	7,563,577
<b>Adjustments:</b>	<b>0</b>	<b>0</b>
Headline earnings	8,220,117	7,563,577
Weighted average shares in issue (000)	42,000,000	42,000,000
<b>Headline earnings per share (cents)</b>	<b>19.57</b>	<b>18.01</b>
Earnings per share (cents)	19.57	18.01
Dividends paid per share (cents)	18.00	0
<b>BALANCE SHEET</b>		
	<b>Unaudited at</b>	<b>Unaudited at</b>
	<b>30 June</b>	<b>30 June</b>
	<b>2008</b>	<b>2007</b>
	<b>R</b>	<b>R</b>
<b>ASSETS</b>		
Non-current assets		
Intangible assets	1,679,618	207,875
Property, plant and equipment	9,057,162	6,948,302
	10,736,780	7,156,177
Current assets		
Trade and other receivables	16,943,564	12,695,809
<b>Cash and cash equivalents</b>	<b>12,378,088</b>	<b>11,296,498</b>
	29,321,652	23,992,307
Total assets	40,058,432	31,148,484
EQUITY AND LIABILITIES		
<b>Total equity</b>		
<b>Share capital</b>	<b>5,508,059</b>	<b>5,970,462</b>
<b>Retained earnings</b>	<b>11,673,642</b>	<b>7,563,577</b>
	17,181,701	13,534,039
<b>Non-current liabilities</b>		
Deferred tax	376,293	0
Instalment sale agreement	613,663	625,830
	989,956	625,830
Current liabilities		
Current portion of long term liabilities	571,658	242,008
Current tax payable	3,377,362	3,078,860
Dividend payable	30,621	
Provisions	172,939	122,939
Trade and other payables	17,734,195	13,544,808
	<b>21,886,775</b>	<b>16,988,615</b>
<b>Total equity and liabilities</b>	<b>40,058,432</b>	<b>31,148,484</b>
Number of shares in issue (000)	42,000,000	42,000,000
Net asset value per share (cents)	40.91	32.22
<b>Net tangible asset value per share (cents)</b>	<b>36.91</b>	<b>31.73</b>
<b>CASH FLOW STATEMENTS</b>		
	<b>Unaudited at</b>	<b>Unaudited at</b>
	<b>30 June</b>	<b>30 June</b>
	<b>2008</b>	<b>2007</b>
	<b>R</b>	<b>R</b>
<b>Cash flows from operating activities</b>		
Cash generated from operations	9,526,386	13,248,123
Finance costs	-153,634	0
Tax paid	-5,069,566	0
Net cash from operating activities	4,303,186	13,248,123
Cash flows from investing activities		
Expenditure to expand operating activities		
Property, plant and equipment acquired	-3,485,530	-8,751,064
Investment income	878,097	217,707
Sale of financial asset	19	
Intangible assets acquired	-1565,306	-256,588

**1. FINANCIAL RESULTS**
**1.1 Statement of compliance and basis of preparation**

The consolidated interim financial statements for the nine months ended 30 June 2008 have been presented in accordance with IAS 34, *Interim Financial Reporting*. The results have been prepared in accordance with accounting policies of the company that comply with International Financial Reporting Standards. These results have not been reviewed or audited by the Company's auditors.

**1.2 Commentary**

The Revenue indicates an increase of 18.57% compared with the comparative nine month period. As mentioned in our previous quarter's results we anticipated a substantial improvement on the results for the last half of the year. The last quarter reflects an increase of Revenue of 28% when compared with the same three month trading period in the prior year. This increase has resulted from our previously mentioned revenue enhancement program, which the company implemented.

Earnings for the third quarter of the 2008 year amount to R3, 510,912 after tax when compared to R1,995,228 for the three month comparative period, an increase of 76%. Profit before taxation for the 9 month year to date shows an improvement of 18.4% when compared to prior period nine month results. The after tax Earnings Per Share (EPS) for this nine month period is 8.66% up and amounts to 19.57 cents per share with a comparative EPS of 18.01 cents per share.

Included in the taxation figure is year to date Secondary Tax on Companies (STC) of R698,670 arising on the 18 cents per share dividends paid by TeleMasters in the current year. This makes up 22.69% of the increase in the tax charge in the current 9 month period when compared to prior nine month period.

The increase in Revenue in the current period is a result of mostly organic growth by the company with a small element relating to the intangible asset – a customer base acquired during the period at a final cost of R1,491,228 which addition was financed from the cash flows of the company. The intangible asset is being amortised at approximately 33.3% per annum.

The company remains cash positive with a good liquidity position. The Net Asset Value (NAV) per share increased by 27% when compared with the balance sheet as at the comparative date. After paying dividends of 18 cents year to date and settling the purchase consideration for the customer base, the cash reserves of TeleMasters have increased by 9.57%.

The company remains un-g geared but for a few instalment sale agreements, profitable and cash generative.

**1.3. Dividends**

The board is satisfied with the performance and has declared that a further quarterly interim dividend of **3 cents per share** ("the dividend") be paid to all shareholders recorded in the share register of the company at the close of business on Friday, 1 August 2008. The dividend per share reflected above comprises 12 cents declared in respect of the prior year earnings and 6 cents for the first six months of the year. The directors are pleased to advise that TeleMasters is the first company listed on the Alternative Exchange to have adopted a policy of declaring quarterly dividends.

The dates relating to the dividend, which the directors have declared, are as follows:

	<b>2008</b>
Last date to trade:	Friday, 15 August
Securities start trading ex dividend:	Monday, 18 August
Record date to determine who receives the dividend:	Friday, 22 August
Electronic transfer of funds or cheques posted/CSDPs and brokers credited	Monday, 25 August

Net cash from investing activities		-4,172,720		-8,789,925		Shares may not be dematerialised or re-materialised between Monday, 18 August 2008 and Friday, 22 August 2008.
Cash flows from financing activities						
Proceeds on share issue		-		5,970,462		
Instalment sale agreements		1,138,956		867,838		<b>2. LITIGATION</b>
Dividends paid		-7,529,379		-		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
Repayment of instalment sale agreements		-692,880		-		<b>3. SUBSEQUENT EVENTS</b>
Net cash from financing activities		-7,083,303		6,838,300		There have been no significant events after the period end.
Total cash movement for the period		-6,952,837		11,296,498		<b>4. SHARE CAPITAL</b>
Cash at beginning of period		19,330,925		-		No changes to Share Capital occurred during the period.
<b>Total cash at end of the period</b>		<b>12,378,088</b>		<b>11,296,498</b>		<b>5. OPERATIONAL REVIEW AND OUTLOOK</b>
<b>STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY</b>						
	<b>Share</b>	<b>Share</b>	<b>Total share</b>	<b>Retained</b>	<b>Total</b>	
	<b>Capital</b>	<b>Premium</b>	<b>Capital</b>	<b>Income</b>		
Balance 23 May 2006 on incorporation	-	-	-	-	-	
Share capital and share premium issued	4,200	5,966,262	5,970,462	-	5,970,462	
Share issue & listing costs applied against share premium	-	462,403	462,403	-	462,403	
Net profit for the year ended 30 June 2007	-	-	-	7,563,577	7,563,577	
Balance at 30 September 2007	4,200	5,503,859	5,508,059	7,563,577	13,071,636	
Dividends paid 30 November 2007	-	-	-	-5,040,000	5,040,000	
Net profit for the period ended 30 September 2007	-	-	-	3,449,948	3,449,948	
Dividends paid 31 March 2008	-	-	-	-2,520,000	2,520,000	
Balance at 31 March 2008	4,200	5,503,859	5,508,059	3,453,525	8,961,584	
Net profit for the period ended 30 June 2008	-	-	-	8,220,117	8,220,117	
<b>Balance at 30 June 2008</b>	<b>4,200</b>	<b>5,503,859</b>	<b>5,508,059</b>	<b>11,673,642</b>	<b>17,181,701</b>	
<b>SEGMENT REPORT</b>						
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:						
				<b>Unaudited</b>	<b>Unaudited</b>	
				<b>9 months</b>	<b>9 months</b>	
				<b>Ended</b>	<b>Ended</b>	
				<b>30 June</b>	<b>30 June</b>	
				<b>2008</b>	<b>2008</b>	
				<b>R</b>	<b>R</b>	
Revenue by Nature						
Commissions earned on airtime				118,688,128	98,996,365	
Connection incentive bonuses				9,668,757	9,250,690	
Other				35,089	28,064	
				<b>128,391,974</b>	<b>108,275,119</b>	
<b>Major customers</b>						
Revenues from transactions with a single external customer accounting to 10 percent or more of the company's revenue, are disclosed below:						
- Commission – Customer A				17,462,141	20,188,363	
- Commission – Customer B				13,864,102	-	
- Commission and connection incentive bonus with other customers				97,065,731	88,086,756	
				<b>128,391,974</b>	<b>108,275,119</b>	
<b>Directors:</b> MB Pretorius, BR Topham, IG Bekker, ME Moji*, J Voigt* (* non-executive) <b>Company secretary:</b> BR Topham						
<b>Registered address:</b> Equity Estate Building 2, Masters House, Charles de Gaulle Crescent, Highveld Park Ext 9, Centurion, (P.O Box 2887, Montana Park, 0159)						
<b>Transfer secretaries:</b> Computershare Investor Services 2004 Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown,2107)						
<a href="http://www.telemasters.co.za">www.telemasters.co.za</a>						

Shares may not be dematerialised or re-materialised between Monday, 18 August 2008 and Friday, 22 August 2008.

## 2. 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

## 3. SUBSEQUENT EVENTS

There have been no significant events after the period end.

## 4. SHARE CAPITAL

No changes to Share Capital occurred during the period.

## 5. OPERATIONAL REVIEW AND OUTLOOK

Trading conditions continue to be good despite a general decline in the South African economy. Our business is largely unaffected by the economic decline since the nature of the business ensures that clients receive a substantial savings on their communications costs. In declining markets we see an increased demand for products which when implemented reduce the operational costs of a business. We anticipate continued growth in our dealer market which over the past period has increased by 62 to 212. Certain of the acquisitions which we were pursuing did not realise and the board remains committed to only pursuing acquisitions which will be cash generative and will add value to the business. Currently we have numerous leads in the market but nothing has yet materialised to the point of informing the market. We are confident in TeleMasters ability to maintain growth based on our diverse existing communications product range and track record thus ensuring continued growth of shareholder value.

For and on behalf of the Board:

MB Pretorius  
Executive Chairman

BR Topham  
Chief Financial Officer

25 July 2008

**Arcay Moela Sponsors (Pty) Ltd**

