



TeleMasters Holdings Limited
(Incorporated in the Republic of South Africa)
Registration number: 2006/015734/06
Share code: TLM
ISIN: ZAE000093324
("TeleMasters" or "Group" or "Company")

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2022 AND DECLARATION OF DIVIDEND NUMBER 59

The Board of Directors of TeleMasters Holdings Limited ("the **Board**") presents the condensed consolidated interim financial statements of the Group for the six months ended 31 December 2022. The six months period reflects the continued effects of the reduced usage services made up of corporate voice termination services. However, the data centre, trading as Ultra DC, has made inroads and has finally generated a small profit for the six month period, which is expected to grow sustainably going forward.

FINANCIAL SUMMARY

The Group's financial metrics compared to the prior six months are set out below:

- Revenue decreased by 5,1% compared to the period ended 31 December 2021.
- Gross profit margin improved to 56,2% from 54,7% compared to the period 31 December 2021.
- Operational expenses were efficiently controlled and decreased by 4,4% compared to the comparative period.
- EBITDA of R3,4 million was achieved compared to R3,3 million in the period ended 31 December 2021.
- Cash and cash equivalents were reduced due to further investment of R1,3 million in equipment.
- The net asset value has decreased from 68,13 cents per share to 63,47 cents per share, and the tangible net asset value from 18,91 cents per share to 15,08 cents per share.
- Loss per share decreased from 1,68 cents in the comparative period to 1,15 cents.
- 0,75 cents per share dividend declared during the period (2021: 2,1 cents in the prior period).

OPERATIONAL REVIEW

1. Commentary on operating results

Sales in two of the four markets that the Group serves were down on the previous period in line with the rest of the market. The total minutes of corporate airtime used fell as customer staff usage levels have not recovered and mobile devices became the *de facto* corporate connectivity device to the detriment of switchboard-based fixed line calls.

Secondly, the retail prices of data connectivity have decreased significantly as the market matures and the service becomes a mere commodity. We expect both of these trends to continue. Both trends are accelerated by three factors:

- the cost reduction push of businesses under financial pressure;
- the deteriorating business landscape in which we lost many customers to closure; and
- the reduced output due to the electricity crisis that constrains operations and growth.

Revenue decreased by 5,1% to R31,1 million due to these pressures.

In the Group, we have responded to changing customer requirements and often reconfigure our customer installations to efficient set-ups to secure future services revenue. In the same light, we reduced Operating Expenses by 4,4%. To accomplish this, we reduced employee costs by R0,7 million and depreciation charges decreased by R0,4 million which were negated to some extent by once-off unexpected expenditure.

During the second half of the 2022 financial year, we deployed additional sales resources to embark on a growth path. While sales cycles have become longer, we have seen increased interest from the market for our services.

The focus on cost control is reflected in the healthy Gross Profit margin, and cash flow delivered.

While profits remain impacted by substantial amounts of non-cash flow expenses such as depreciation and amortisation, the Group continued to generate positive operating cash flows from its operations.

The Group continued to invest in capital equipment during the period to create additional revenue growth opportunities. This was funded from the Group's own cash flow in light of the strain on available equipment lease financing.

Positive operational cash generation remains a key component of our business. It reflects our mission to build an annuity-based business that proactively manages operating costs and maximises operating efficiencies across all subsidiaries.

2. Issue and repurchase of shares

During the period under review:

- The Company issued an additional 1,723,160 shares at 81,09 cents in settlement of the final earn-out consideration payable to vendors for the acquisition of Contineo Virtual Communications (Pty) Limited ("Contineo") and Perfectworx Consulting (Pty) Limited ("Perfectworx"); and
- A wholly-owned subsidiary of the Company repurchased 67,868 shares in the Company for an average purchase price of 98,21 cents per share as part of the Group's share repurchase programme. These shares are being held as treasury shares.

3. Dividends declared and paid

The Board does not link the payment of dividends primarily to the current year's operating results but considers dividends in relation to the Group's reserves of R21,0 million on 31 December 2022 (R23,7 million as of 31 December 2021) and cash generated by operations. The Board considers the working capital requirements of the Group for the next 12-month period, among other considerations, when determining any dividend. The Board considers the payment of dividends to be a significant reason why shareholders invest in the Group and regards the principle of paying quarterly dividends as important. The payment of a dividend is accordingly considered on a quarterly basis.

The following dividends were declared during the period under review:

- Dividend number 56 of 0,5 cents per share was declared on 24 June 2022 and paid to all shareholders recorded in the share register of the Company at the close of business on 22 July 2022;
- Dividend number 57 of 0,5 cents per share was declared on 23 September 2022 and paid to all shareholders recorded in the share register of the Company at the close of business on 21 October 2022; and
- Dividend number 58 of 0,25 cents per share was declared on 20 December 2022 and paid to all shareholders recorded in the Company's share register at the close of business on 13 January 2023.

4. Dividend declaration

Notice is hereby given that a gross cash dividend (Number 59) of 0,1 cent per share has been declared and is payable to all shareholders recorded in the Company's share register at the close of business on Friday, 21 April 2023.

The dividend will be subject to the Dividends Withholding Tax 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 Withholding Tax rate is 20%;
- The gross local dividend is 0,1 cent per share for shareholders exempt from Dividends Tax;
- The net local dividend is 0,08 cents per share for shareholders liable for Dividends Tax;
- The Company has 57,482,830 ordinary shares in issue; and
- The Company's income tax reference number is 9683/978/14/3.

The following dates apply to the dividend: the last day to trade to be eligible for the dividend will be Tuesday, 18 April 2023. Shares will trade ex-dividend from Wednesday, 19 April 2023. The record date will be Friday, 21 April 2023 and the dividend payment will be made on Monday, 24 April 2023.

Share certificates may not be dematerialised / re-materialised between Wednesday, 19 April 2023 and Friday, 21 April 2023, both days inclusive. The certificated register will be closed during these dates. Dividends in respect of certificated shareholders will be transferred electronically to shareholders' bank accounts on the payment date. Following the discontinuation of cheque payments in South Africa from January 2022, all payments will only be made into a nominated bank account by electronic funds transfer. Shareholders who have not yet provided their bank account details to JSE Investor Services Proprietary Limited ("JIS") are reminded to contact JIS at 086 154 6572 with their bank account details, into which the dividends can be paid electronically.

5. Company Focus

TeleMasters Holdings Limited is a diversified technology investment company. Our vision is to create and accelerate shareholder value through responsible growth, acquisitions and investments. Entities within the Group are complementary towards each other with a key focus on enhancing digital transformation, empowering next-generation interconnectivity and accelerating smart working environments.

The Group consists of the following portfolio of companies:



Catalytic Connections (Pty) Limited ("Catalytic Connections") is a diversified ICT managed solutions provider to medium and small enterprises through a comprehensive suite of products and services focused on digital connectivity, cloud communications, cloud services and cloud security.



Contineo Virtual Communications (Pty) Limited ("Contineo") operates a Next Generation Unified Communications ("UC") platform based on Cisco BroadSoft technology. The platform enables customers to migrate all their voice and UC traffic into the cloud and transformed Contineo from a traditional wholesale reseller of voice minutes into the largest independent wholesaler supplier of the Cisco BroadSoft communications platform in South Africa.



PerfectWorx Consulting (Pty) Limited ("PerfectWorx") is a niche network systems integrator that builds and operates networks for or with customers, supplies technology to build networks or provides specific solutions for customer's network requirements. It enjoys key technology partnerships with Cisco Meraki, Fortinet, Oracle, exaware, Sonus and Juniper Networks, among others.



Ultra Data Centre (Pty) Limited ("Ultra DC") built and operates a data centre located outside of Pretoria. This data centre is a vendor & carrier neutral facility that features several unique data centre capabilities including smart rack infrastructure, ultra-secure physical environment, and connectivity vendor redundancy. Due to its location just outside the principal jurisdictions of many other data centres, it specializes in ultra-secure disaster recovery capabilities but also functions as a primary data centre for clients. Unique among data centres, it has massive and scalable utility power availability. The building is extremely physically secure with national key point (bunker type) construction. It has significant white space scalable on demand.

6. Prospects

Focused investment in strategic partnerships that were put in place during the past year is starting to yield positive results for the businesses in the Group. Each business unit has a focused management structure, each with a clearly defined strategic plan to drive growth and customer acquisition during the remainder of the financial year.

Every business in the Group is on a growth trajectory, each with exciting opportunities in hand:

- **Ultra DC** – we will continue to add customers to Ultra DC. We have expanded our interest to international customers, seeking to establish a presence in South Africa. We will continue to build our pipeline with local and international customers to add customers to our world-class facility.
- **Contineo** – due to our Cisco Collaboration Unit partnership, we have the opportunity to expand our services portfolio to the market, specifically in Contact Centre and Collaboration space. As an agile, technically focused business, we are uniquely positioned to capitalise on new services that become available in the Cisco Communications portfolio. We are actively gaining new wholesale customers that seek to standardise and scale their communications offering to their customers.
- **PerfectWorx** – we have onboarded new customers in the business, leading to Capex and Opex sales. PerfectWorx has also been appointed as Service Provider Partner for a large international networking vendor. This is likely to unlock new revenue opportunities for this business.
- **Catalytic** – we have deployed additional sales resources and onboarded new channel partners. We are confident that the new and other resources will assist us in growing revenues in the year to come. We have also negotiated new commercial terms with some of our connectivity suppliers, allowing us to compete better against some of the larger competitors in the market. It will also allow us to respond to market demand for more affordable connectivity costs.

Overall, our outlook is positive. However, the global and local economic outlook and negative business sentiment in South Africa remain a concern. We have a great team in each business who have been hard at work during recent challenging times. We believe that the consistent hard work each team member has contributed to date will yield results and see the Group benefit from their activities in the future.

7. Corporate governance

The Group subscribes to the highest standards of corporate governance best practices at all levels and is committed to conducting business with discipline, integrity and social responsibility.

8. Changes to the Board of Directors

There were no changes to the Board of Directors during the period under review.

9. Going concern

The Directors believe that the Group has adequate financial resources to continue in operation for the foreseeable future. Accordingly, the Group's consolidated annual financial statements have been prepared on a going concern basis. The Directors have satisfied themselves that the Group remains in a sound financial position with access to sufficient cash on hand to meet its foreseeable financial requirements. The Directors are not aware of any new material changes that may adversely impact the Group. The Directors are also unaware of any material non-compliance with any statutory or regulatory requirements or any pending changes to legislation which may materially affect the Group.

10. Approval of the financial statements

The unaudited condensed consolidated financial statements were approved by the Board of Directors on 24 March 2023 and are signed on its behalf by:

J Voigt
Chief Executive Officer

JL Roos
Chief Financial Officer

Waterfall City
31 March 2023

FINANCIAL RESULTS

The unaudited condensed consolidated financial statements for the six months ended 31 December 2022 are presented below:

Unaudited Condensed Consolidated Statement of Financial Position as at 31 December 2022

		31 December 2022 Unaudited R	30 June 2022 Audited R	31 December 2021 Restated R
	Notes			
Assets				
Non-current assets				
		48,286,365	49,438,620	50,588,947
Property, plant and equipment	6	6,730,640	7,172,580	6,536,021
Right of use assets	6	13,051,149	13,993,272	15,917,791
Intangible assets	6	728,889	906,509	1,047,946
Goodwill	7	22,952,676	22,952,676	22,952,676
Deferred tax		4,133,011	3,723,583	3,444,513
Restricted Cash		690,000	690,000	690,000
Current assets				
		5,933,308	8,444,680	8,993,072
Inventories		483,873	1,017,455	633,324
Trade and other receivables	8	2,936,707	4,302,308	3,982,971
Prepaid expenses		673,303	674,740	1,974,861
Current tax receivable		-	101,653	113,401
Cash and cash equivalents		1,839,425	2,348,524	2,288,515
Total assets				
		54,219,673	57,883,300	59,582,019
Equity and liabilities				
Total equity				
		36,482,058	36,207,875	37,990,282
Share capital		15,484,989	14,154,259	14,284,765
Retained earnings		20,997,069	22,053,616	23,705,517
Non-current liabilities				
		9,094,048	10,838,784	11,866,518
Borrowings	10	609,250	961,770	604,111*
Lease liabilities	9	8,309,558	9,706,330	10,854,206*
Deferred tax		175,240	170,684	408,201
Current liabilities				
		8,643,567	10,836,641	9,725,219
Trade and other payables		3,477,939	4,040,209	3,280,621
Borrowings	10	746,615	762,924	596,850*
Lease liabilities	9	4,075,158	4,110,323	4,145,851*
Shareholders for dividend		232,540	367,216	368,428
Contingent consideration		-	1,528,755	1,306,255
Current tax payable		111,315	27,214	27,214
Total liabilities				
		17,737,615	21,675,425	21,591,737
Total equity and liabilities				
		54,219,673	57,883,300	59,582,019
Number of shares in issue				
	4	57,482,830	55,759,670	55,759,670
Net asset value per share (cents)		63,47	64,93	68,13
Net tangible asset value per share (cents)		15,08	15,46	18,91

*Restated- refer to notes 9, 10 & 11

Unaudited Condensed consolidated statement of comprehensive income
for the six months ended 31 December 2022

	31 December 2022 Unaudited R	31 December 2021 Unaudited R
Revenue	31,053,202	32,718,184
Cost of Sales	(13,590,774)	(14,806,065)
Gross profit	17,462,428	17,912,119
Other Income	155,060	12,106
Operating expenses	(17,610,678)	(18,421,598)
Operating profit/(loss)	6,810	(497,373)
Investment revenue	79,346	103,881
Finance costs	(835,607)	(812,344)
Loss before income tax	(749,451)	(1,205,836)
Income tax	109,735	328,771
Loss for the period	(639,716)	(877,065)
Other comprehensive income for the period	-	-
Total comprehensive loss for the period	(639,716)	(877,065)

Per share information (cents)

Basic loss per share (cents)	(1,15)	(1,68)
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Unaudited Condensed consolidated statement of changes in equity
for the six months ended 31 December 2022

	Share Capital R	Share Premium R	Total share Capital R	Retained Earnings R	Total Equity R
Balance at 1 July 2021	5,050	8,004,939	8,009,989	25,741,443	33,751,432
Loss for the period	-	-	-	(877,065)	(877,065)
Total comprehensive income for the period	-	-	-	(877,065)	(877,065)
Transaction with owners:					
Shares issued	526	6,455,719	6,456,245	-	6,456,245
Treasury shares	-	(181,469)	(181,469)	-	(181,469)
Dividends	-	-	-	(1,158,861)	(1,158,861)
Total transactions with owners	526	6,274,250	6,274,776	(1,158,861)	5,115,915
Balance at 31 December 2021	5,576	14,279,189	14,284,765	23,705,517	37,990,282
Loss for the period	-	-	-	(1,099,409)	(1,099,409)
Total comprehensive loss for the period	-	-	-	(1,099,409)	(1,099,409)
Transaction with owners:					
Shares issued	-	-	-	-	-
Treasury shares	-	(130,506)	(130,506)	-	(130,506)
Dividends	-	-	-	(552,492)	(552,492)
Total transactions with owners	-	-	(130,506)	(1,651,901)	(1,782,407)
Balance at 30 June 2022	5,576	14,148,683	14,154,259	22,053,616	36,207,875
Loss for the period	-	-	-	(639,716)	(639,716)
Total comprehensive loss for the period	-	-	-	(639,716)	(639,716)
Transaction with owners:					
Shares issued	172	1,397,212	1,397,384	-	1,397,384
Treasury shares	-	(66,653)	(66,653)	-	(66,653)
Dividends	-	-	-	(416,832)	(416,832)
Total transactions with owners	172	1,330,559	1,330,731	(1,056,548)	274,183
Balance at 31 December 2022	5,748	15,479,242	15,484,990	20,997,068	36,482,058

Unaudited Condensed consolidated statement of cash flows
for the six months ended 31 December 2022

	31 December 2022 Unaudited R	31 December 2021 Unaudited R
Cash flows from operating activities		
Cash generated by operations	4,235,791	2,342,185
Finance costs	(835,607)	(812,344)
Income taxes received/(paid)	(109,383)	51,111
Net cash generated from operating activities	3,290,801	1,580,952
Cash flow from investing activities		
Purchase of property, plant and equipment	(1,309,972)	(416,781)
Proceed on disposal of assets	-	2,000
Other financial assets acquired	-	(690,000)
Investment income received	79,346	103,881
Net cash used in investing activities	(1,230,626)	(1,000,900)
Cash flow from financing activities		
Dividends paid	(551,923)	(1,686,885)
Purchase of treasury shares	(66,652)	(181,469)
Repayment of borrowings	(500,824)	-
Repayment of leases	(1,449,875)	(2,480,398)
Net cash used in financing activities	(2,569,274)	(4,348,752)
Total cash movement for the period	(509,099)	(3,768,700)
Cash and cash equivalents at the beginning of period	2,348,524	6,057,215
Cash and cash equivalents at the end of period	1,839,425	2,288,515

Notes to the provisional condensed consolidated financial statements
for the six months ended 31 December 2022

1. Statement of compliance and the basis of preparation

The unaudited condensed consolidated interim financial results for the six months ended 31 December 2022 are prepared in accordance with the requirements of the JSE Limited's Listings Requirements ("Listings Requirements") and the requirements of the Companies Act of South Africa. The Listings Requirements require interim financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting.

The results were not audited or reviewed by the Company's auditors, Nexia SAB&T.

The Directors take full responsibility for the preparation of these condensed unaudited interim financial results. These results were prepared under the supervision Chief Financial Officer, Mr Wikus Roos CA (SA).

2. Accounting policies

These interim condensed unaudited condensed consolidated interim financial statements do not include all the information and disclosures required for complete annual financial statements prepared in accordance with IFRS and should be read in conjunction with the Group's annual financial statements as at 30 June 2022. The accounting policies adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those followed in the Group's annual consolidated financial statements for the year ended 30 June 2022.

New standards and interpretations in issue not yet effective

The Group has chosen not to early adopt standards and interpretations issued not yet effective, which have been published and are mandatory for the Group's accounting periods beginning on or after 01 July 2022 or later periods. These standards will be implemented in the applicable year for which they are mandatory. It is unlikely to have a material impact on the future implementation of any of these standards.

3. Financial risk management

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 2022.

4. Share capital

The Company issued an additional 1,723,160 shares to the vendors of Contineo in accordance with the earn-out clause of the purchase agreement effective from 1 July 2020.

	31 December 2022 Unaudited	31 December 2021 Unaudited
Number of shares		
Balance at the beginning of the period	55,759,670	50,500,000
Shares issued during the period	1,723,160	5,259,670
Balance at the end of the period	57,482,830	55,759,670

5. Business combinations

5.1 Acquisition of Contineo and PerfectWorx

Effective 1 July 2020, the Group acquired the entire shareholding of Contineo and PerfectWorx for a maximum consideration of R16,500,000 (sixteen million five hundred thousand Rand). An aggregate of 8,500,000 shares at R1 each was issued on 23 July 2020 as settlement for the initial purchase price, which the Directors deemed to be the fair value of the shares at that time. An aggregate of 5 259 670 shares at R1,2275 was issued to the vendors of Contineo in accordance with the earn-out clause for the 2021 financial year.

During the period under review, a further 1 223 160 shares at 85,33 cents were issued to the vendors of Contineo in accordance with the earn-out clause and 500 000 shares at 70,72 cents were issued to the vendors of PerfectWorx in accordance with the earn-out clause during the 2023 financial year. The amount was settled by the issue of TeleMasters shares at the 30-day VWAP price per share, less a 10% discount.

The fair value of identifiable assets and liabilities acquired from Contineo and PerfectWorx at the acquisition date are summarised as follows:

Contingent Consideration	R
Balance at the beginning of the transactions	7,440,000
Income statement – finance costs from the beginning of the transaction	545,000
Shares issued	(6,456,245)
Balance at 30 June 2022	1,528,755
Income statement – Other income	(131,371)
Shares issued	(1,397,384)
Balance as at 31 December 2022	-

6. Property, plant & equipment, right of use assets and intangible assets

	Property, plant and equipment R	Right of use assets R	Intangible assets R
Carrying value 1 July 2021	7,192,053	16,916,565	1,144,893
Additions	416,781	1,608,737	-
Depreciation for the period	(1,318,925)	(2,359,399)	(96,947)
Assets transferred	248,112	(248,112)	-
Disposals	(2,000)	-	-
Carrying value 31 December 2021	6,536,021	15,917,791	1,047,946

	Property, plant and equipment R	Right of use assets R	Intangible assets R
Carrying value 1 July 2022	7,172,580	13,993,272	906,509
Additions	1,309,972	-	-
Lease adjustment	-	699,199	-
Depreciation for the period	(1,727,849)	(1,481,599)	(177,620)
Assets transferred	159,723	(159,723)	-
Assets scrapped	(74,104)	-	-
Assets transferred to inventory	(109,682)	-	-
Carrying value 31 December 2022	6,730,640	13,051,149	728,889

7. Goodwill

	Cost R	Impairment R	Carrying Value R
Balance at 1 July 2021	22,952,676	-	22,952,676
Acquisitions	-	-	-
Balance at 31 December 2021	22,952,676	-	22,952,676
Acquisition	-	-	-
Impairment in the period	-	-	-
Balance at 30 June 2022	22,952,676	-	22,952,676
Impairment in the period	-	-	-
Balance at 31 December 2022	22,952,676	-	22,952,676

Assessment of recoverable amounts

At period end the Group assessed the recoverable amount of goodwill from the acquisition of Catalytic Connections, Spice Telecom, Contineo, PerfectWorx and Ultra DC. The assessment determined that the goodwill allocated to the cash-generating units was not impaired. No impairment was recognised both in the current and previous financial periods.

8. Trade and other receivables

	31 December 2022 Unaudited R	31 December 2021 Unaudited R
Financial Instruments	1,957,953	2,957,761
Trade debtors	2,692,633	6,921,824
Provision for loss allowance – specific contract	-	(3,067,500)
Provision for loss allowance – other	(734,680)	(896,563)
	647,717	675,533
Deposits	64,392	92,579
Accruals for revenue	537,089	526,476
Other	46,236	56,478
	2,605,670	3,633,294
Non-Financial instruments		
VAT	331,037	349,677
	2,936,707	3,982,971

The fair value of trade and other receivables approximates their carrying amounts due to their short-term nature.

9. Lease liabilities

	31 December 2022 Unaudited R	31 December 2021 Unaudited R
The maturity analysis of lease liabilities is as follows		
Within one year	5,338,736	6,079,597
Two to five years	9,997,338	11,384,678
	15,336,074	17,464,275
Less: finance charges component	(2,951,358)	(2,464,218)
	12,384,716	15,000,057
Non-current liabilities	8,309,558	10,854,206
Current liabilities	4,075,158	4,145,851

The fair value of lease liabilities approximates their carrying amount due to the application of market-related interest rates in the measuring of the carrying value.

10. Borrowings

	31 December 2022 Unaudited R	31 December 2021 Unaudited R
The maturity analysis of lease liabilities is as follows		
Within one year	910,090	810,439
Two to five years	701,064	624,300
	1,611,154	1,434,739
Less: finance charges component	(255,289)	(233,778)
	1,355,865	1,200,961
Non-current liabilities	609,250	604,111
Current liabilities	746,615	596,580

The fair value of borrowings approximates their carrying amount due to the application of market-related interest rates in the measuring of the carrying value.

11. Restatement of comparatives

During the financial year that ended on 30 June 2022, the Group entered into 12 contracts with the Rental Company for the acquisition of equipment which were classified as lease liabilities on 31 December 2021. The rental contracts were reclassified to Borrowings as of 30 June 2022. The comparatives in notes 9 and 10 have thus been restated to reflect the reclassification. The reclassification resulted in the following adjustment:

Statement of Financial Position

	Balance before reclassification	Reclassification	Balance after reclassification
Lease liabilities	16,201,018	(1,200,961)	15,000,057
Borrowings	-	1,200,961	1,200,961
Total	16,201,018	-	16,201,018

12. Segment reporting

IFRS 8 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 and that is evaluated regularly by the Chief Operating Decision Maker. The Chief Executive Officer is the Chief Operating Decision Maker ("CODM") of the Group.

During the year, the Group changed the way the business is reported on by the CODM. As a result, the Group's reporting segments for the period ended 31 December 2022 are Catalytic Connections and Contineo; PerfectWorx; Ultra DC and Corporate and the comparatives have been restated accordingly as Catalytic Connections and Contineo engage in similar business activities.

Management monitors the operating results of its business units separately for the purpose of resource allocation and performance assessment. Monthly management meetings are held to evaluate the individual segment performance. The CODM does not monitor assets and liabilities by segment.

Period ended 31 December 2021	Catalytic Connections & Contineo				Consolidation R	TOTAL R
	Contineo R	PerfectWorx R	Ultra DC R	Corporate R		
Revenue external	31,981,868	612,653	123,663	-		32,718,184
Revenue internal	802,207	6,219,110	444,619	3,983,392	(11,449,328)	-
EBITDA*	822,212	1,125,412	146,014	1,184,260		3,277,898
Adjusted for:						
Depreciation and amortisation	(1,712,931)	(115,483)	(238,266)	(1,708,591)		(3,775,271)
Interest received	16,282	6	-	87,593		103,881
Finance costs	(362,784)	(41,567)	(61,177)	(346,816)		(812,344)
Net profit/(loss) before tax	(1,237,221)	968,368	(153,429)	(783,554)		(1,205,836)
Total Assets	22,704,544	1,981,555	2,369,230	49,381,036	(16,854,346)	59,582,019
Total Liabilities	24,440,145	116,310	3,124,656	10,764,972	(16,854,346)	21,591,737

Period ended 31 December 2022	Catalytic Connections & Contineo				Consolidation R	TOTAL R
	Contineo R	PerfectWorx R	Ultra DC R	Corporate R		
Revenue external	28,583,508	1,713,931	755,763	-		31,053,202
Revenue internal	5,067,518	1,760,823	761,616	4,940,982	(12,530,939)	-
EBITDA*	905,193	335,473	428,647	1,724,564		3,393,877
Adjusted for:						
Depreciation and amortisation	(2,272,197)	(7,574)	(212,693)	(894,603)		(3,387,067)
Interest received	18,736	-	-	60,610		79,346
Finance costs	(391,144)	-	(50,290)	(394,173)		(835,607)
Net profit/(loss) before tax	(1,739,412)	327,899	165,664	496,398		(749,451)
Total Assets	21,022,827	2,611,040	3,867,036	44,497,900	(17,779,130)	54,219,673
Total Liabilities	25,428,471	343,222	4,703,424	5,041,628	(17,779,130)	17,737,615

* Earnings before interest, tax, depreciation, and amortisation

No single customer makes up more than 10% of the Group's revenues.

13. Disaggregation of revenues

		31 December 2022 Unaudited	31 December 2022 Unaudited	31 December 2022 Unaudited	31 December 2021 Unaudited
	Total	Catalytic Connections & Contineo	PerfectWorx	Ultra DC	Total
Equipment sales	2,060,933	978,734	1,082,199	-	2,698,761
Rendering of services	36,582,226	32,672,292	2,392,555	1,517,379	37,485,359
	38,643,159	33,651,026	3,474,754	1,517,379	40,184,120
Internal revenue	(7,589,957)	(5,067,518)	(1,760,823)	(761,616)	(7,465,936)
	31,053,202	28,583,508	1,713,931	755,763	32,718,184
Sale of Goods					
Equipment sales	2,060,933	978,734	1,082,199	-	2,698,761
Rendering of services					
Usage	5,665,234	5,665,234	-	-	6,874,700
Connectivity fees	14,849,333	14,849,333	-	-	16,401,748
Service fees	16,067,659	12,157,725	2,392,555	1,517,379	14,208,911
	36,582,226	32,672,292	2,392,555	1,517,379	37,485,359
Total	38,643,159	33,651,026	3,474,754	1,517,379	40,184,120

Timing of Revenue

Sale of Goods	- at a point in time
Usage	- at a point in time
Connectivity fees	- over time
Service fees	- over time

14. Earnings, headline earnings and dividends

Headline earnings reconciliation and per share information is set out below:

	31 December 2022 Unaudited R	30 June 2022 Audited R	31 December 2021 Unaudited R
Headline earnings reconciliation:			
Loss attributed to equity holders of the company	(639,716)	(1,976,474)	(877,065)
Loss on assets scrapped	74,104	-	-
Headline loss	(565,612)	(1,976,474)	(877,065)
Headline loss per share (cents)	(1,02)	(3,67)	(1,68)
Number of shares in issue	57,482,830	55,759,670	55,759,670
Weighted average shares in issue	55,450,353	53,876,273	52,050,375
Dividends declared per share (cents)	0,75	3,10	2,10

15. Related party transactions

Members of Key Management

J Voigt

JL Roos

Non-Executive Directors

Executive Director

Executive Director

MB Pretorius

WF Steinberg

M Tappan

DJ Bate

T Smith

Related parties in which key management and/or non-executive directors have a beneficial interest:

MB Pretorius	Snowy Owl Properties 82 (Pty) Ltd TeleMasters (Pty) Ltd Zero Plus Trading 194 (Pty) Ltd
A Voigt (Spouse of a director)	Level This CC

Details of transactions and balances occurring between the company and the related parties are presented below:

	31 December 2022 R	31 December 2021 R
Consulting fees paid to:		
Zero Plus (Pty) Ltd	180,000	194,925
Level This CC	1,005,000	966,000
	1,185,000	1,160,925
Trade and other payables:		
Level This CC	129,341	-
Compensation to Key management	1,373,632	1,238,474

16. Litigation

The company continues to pursue litigation and attendant matters in respect of a material debt recoverable from a customer.

Other than above there are currently no legal or related proceedings against the Group, of which the Board 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.

17. Subsequent events

There were no significant events subsequent to the period end.

18. Corporate information

Directors: DJ Bate^{**}, MB Pretorius^{*}, WF Steinberg^{**}, M Tappan^{**}, T Smith^{**}, J Voigt, JL Roos
(* non-executive director # independent non-executive director)

Registered address: Ground Floor, Building 2, ATT House, Maxwell Office Park
Magwa Crescent West, Waterfall City 2090
P.O. Box 68255 Highveld Park 0169

Company secretary: S Ramirez-Victor

Auditors: Nexia SAB&T
119 Witch-Hazel Avenue, Highveld Techno Park, Centurion

Transfer secretaries: JSE Investor Services Proprietary Limited
13th Floor, 19 Ameshoff Street, Braamfontein, 2017

Designated Advisor: AcaciaCap Advisors Proprietary Limited

Website: www.telemasters.co.za

**Waterfall City
31 March 2023**