

Sebata Holdings Limited
 (Previously MICROMega Holdings Limited)
 Incorporated in the Republic of South Africa
 (Registration number 1998/003821/06)
 JSE Share code: SEB ISIN: ZAE000260493
 (“Sebata” or “the company” or “the group”)

CONDENSED CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

CONDENSED GROUP STATEMENT OF PROFIT AND LOSS

	Unaudited 6 months ended 30 September 2018 R'000	Reviewed 6 months ended 30 September 2017 R'000	Audited 12 months ended 31 March 2018 R'000
Continuing operations			
Revenue	399 943	376 368	797 957
Cost of sales	(193 539)	(159 783)	(354 790)
Gross profit	206 404	216 585	443 167
Other net income	316 092	26 265	41 349
Distribution expenses	(2 182)	(2 336)	(4 489)
Administration expenses	(174 075)	(175 532)	(344 033)
Profit from operations	346 239	64 982	135 994
Finance income	3 708	886	2 073
Finance cost	(2 872)	(2 100)	(8 210)
Share of profit of equity accounted associate	860	159	1 271
Profit before tax	347 935	63 927	131 128
Tax expense	(131 489)	(10 687)	(37 269)
Profit for the year from continuing operations	216 446	53 240	93 859
Profit for the year from discontinued operations	-	43 554	95 989
Profit for the year	216 446	96 794	189 848
Profit attributable to:			
Owners of the parent - continuing	209 409	46 730	83 795
Owners of the parent - discontinued	-	41 465	92 656
Non-controlling interest – continuing	7 037	6 510	10 064
Non-controlling interest - discontinued	-	2 089	3 333
	216 446	96 794	189 848
Attributable earnings per share (cents)			
Basic	182.50	77.22	154.50
Continuing operations	182.50	40.92	73.37
Discontinued operations	-	36.30	81.13
Diluted basic	182.34	76.80	154.04
Continuing operations	182.34	40.70	73.15
Discontinued operations	-	36.10	80.89
Headline	20.76	78.91	153.26
Continuing operations	20.76	42.64	72.13

Discontinued operations	-	36.27	81.13
Diluted headline	20.74	78.48	152.80
Continuing operations	20.74	42.41	71.91
Discontinued operations	-	36.07	80.89

CONDENSED GROUP STATEMENT OF OTHER COMPREHENSIVE INCOME

	Unaudited 6 months ended 30 September 2018 R'000	Reviewed 6 months ended 30 September 2017 R'000	Audited 12 months ended 31 March 2018 R'000
Profit for the year	216 446	96 794	189 848
Other comprehensive income:			
Foreign currency translation differences	(32)	2 424	1 502
Disposal of subsidiaries	2 939	-	(1 730)
	219 353	99 218	189 620
Total comprehensive income attributable to:			
Owners of the parent	212 316	90 619	176 223
Non-controlling interest	7 037	8 599	13 397
	219 353	99 218	189 620
Reconciliation of headline earnings (net of tax) for continuing operations:			
Profit attributable to owners of the parent	209 409	46 730	83 795
Profit on disposal of property, plant and equipment	(146)	(304)	(443)
(Profit)/loss on disposal of investment in subsidiaries	(185 441)	2 269	(977)
Headline earnings	23 822	48 695	82 375
Reconciliation of headline earnings (net of tax) for discontinued operations:			
Profit attributable to owners of the parent	-	41 465	92 656
Loss/(profit) on disposal of property, plant and equipment	-	(41)	5
Loss/(profit) on disposal of investment in subsidiaries	-	-	-
Headline earnings	-	41 424	92 661
Weighted average number of shares (000s)	114 742	114 211	114 209
Diluted weighted average number of shares (000s)	114 844	114 830	114 549
Total number of shares in issue (000s)	113 729	114 211	114 597

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

	Unaudited As at 30 September 2018 R'000	Reviewed As at 30 September 2017 R'000	Audited As at 31 March 2018 R'000
ASSETS			
Non-current assets	687 788	613 301	664 702
Property, plant and equipment	33 374	34 983	36 245
Intangible assets	614 666	497 628	560 104
Investments in associates	18 666	50 709	17 806
Other financial assets	-	548	25 000
Deferred tax assets	21 082	29 433	25 547
Current assets	555 712	439 848	434 417
Inventories	53 352	64 740	53 114
Trade and other receivables	318 436	341 400	295 571
Income tax receivable	4 045	5 052	6 335
Other financial assets	97 903	5 638	39 777
Cash and cash equivalents	81 976	23 018	39 620
Assets held for sale	-	484 306	501 463
TOTAL ASSETS	1 243 500	1 537 455	1 600 582
EQUITY AND LIABILITIES			
EQUITY	860 050	959 926	1 051 449
Share capital and share premium	288 161	292 452	295 937
Other reserves	8 487	11 052	7 114
Retained earnings	517 856	560 740	650 059
Non-controlling interest	45 546	95 682	98 339
LIABILITIES			
Non-current liabilities	74 904	72 788	77 449
Other financial liabilities	520	3 241	1 745
Deferred vendor payments	-	13 670	8 566
Deferred tax liabilities	74 384	55 877	67 138
Current liabilities	308 546	371 159	344 145
Trade and other payables	135 918	217 453	177 255
Other financial liabilities	54 559	37 155	35 320
Income tax payable	111 523	5 686	6 271
Deferred vendor payments	6 546	21 537	6 571
Bank overdraft	-	89 328	118 728
Liabilities directly associated with assets held for sale	-	133 582	127 539
TOTAL LIABILITIES	383 450	577 529	549 133
TOTAL EQUITY AND LIABILITIES	1 243 500	1 537 455	1 600 582

Net asset value per share (cents)	716.19	756.71	831.71
Net tangible asset value per share (cents)	173.96	321.00	342.95

CONDENSED GROUP STATEMENT OF CASH FLOW

	Unaudited 6 months ended 30 September 2018 R'000	Reviewed 6 months ended 30 September 2017 R'000	Audited 12 months ended 31 March 2018 R'000
Cash flow from operating activities	(38 677)	105 020	234 876
Cash generated from operations	(26 249)	120 552	261 541
Finance income	2 211	1 180	1 968
Finance costs	(2 425)	(926)	(324)
Income tax paid	(12 214)	(15 786)	(28 309)
Cash flow from investing activities	540 280	(105 732)	(225 935)
Property, plant and equipment acquired	(6 394)	(13 657)	(42 506)
Intangible assets acquired	(55 824)	(89 797)	(168 919)
Proceeds on disposal of property, plant and equipment	2 545	2 571	2 120
Acquisition of subsidiaries and businesses	-	(5 876)	(4 376)
Acquisition of non-controlling interest without a change in control	-	-	-
Cash (forfeited)/received on disposal of subsidiaries and businesses	585 700	925	(13 765)
Loans receivable raised	14 253	102	1 511
Cash flow from financing activities	(340 519)	(42 067)	(60 972)
Treasury shares repurchased	(7 975)	-	(544)
Other financial liabilities repaid	(1 373)	(1 670)	(4 625)
Other financial liabilities raised	17 626	31 960	31 960
Deferred vendor payments repaid	(2 250)	(6 794)	(19 497)
Dividends paid to non-controlling interest	(2 755)	(2 362)	(5 332)
Dividends paid	(343 792)	(63 201)	(62 934)
(Decrease)\Increase in cash and cash equivalents	161 084	(42 779)	(52 031)
Cash and cash equivalents included in assets held for sale	-	(8 020)	(19 057)
Cash and cash equivalents at the beginning of the year	(79 108)	(15 511)	(8 020)
Cash and cash equivalents at the end of the year	81 976	(66 310)	(79 108)

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

	Share Capital and Share Premium R'000	Other Reserves R'000	Retained Earnings R'000	Non- Controlling Interest R'000	TOTAL R'000
Balance at 1 April 2017	292 452	6 909	534 917	114 512	948 790
Profit for the year	-	-	88 195	8 599	96 794
Other comprehensive income					
Foreign currency translation differences	-	2 424	-	-	2 424
Transactions with owners, recorded directly in equity					
Dividends paid	-	-	(62 934)	-	(62 934)
Treasury shares purchased	-	-	-	-	-
Share-based payment transactions	-	1 719	(267)	-	1 452
Disposal of subsidiaries	-	-	-	(26 600)	(26 600)
Changes in ownership interest in subsidiaries without a change in control	-	-	829	(829)	-
Balance at 30 September 2017	292 452	11 052	560 740	95 682	959 926
Balance at 1 October 2017	292 452	11 052	560 740	95 682	959 926
Profit for the year	-	-	88 256	4 798	93 054
Other comprehensive income					
Foreign currency translation differences	-	(922)	-	-	(922)
Transactions with owners, recorded directly in equity					
Dividends paid	-	-	-	(5 332)	(5 332)
Share-based payment transactions	4 023	(1 286)	1 892	-	4 629
Disposal of subsidiaries	-	(1 730)	-	2 362	632
Treasury shares purchased	(538)	-	-	-	(538)
Changes in ownership interest in subsidiaries without a change in control	-	-	(829)	829	-
Balance at 31 March 2018	295 937	7 114	650 059	98 339	1 051 449
Balance at 1 April 2017	295 937	7 114	650 059	98 339	1 051 449
Profit for the year	-	-	209 409	7 037	216 446
Other comprehensive income					
Foreign currency translation differences	-	(32)	-	-	(32)
Transactions with owners, recorded directly in equity					
Dividends paid	-	-	(343 792)	(2 755)	(346 547)
Share-based payment transactions	199	(1 534)	2 180	-	845
Disposal of subsidiaries	-	2 939	-	(57 075)	(54 136)
Treasury shares purchased	(7 975)	-	-	-	(7 975)
Balance at 30 September 2018	288 161	8 487	517 856	45 546	860 050

NOTES TO THE GROUP FINANCIAL INFORMATION

1. Basis of preparation

These unaudited condensed interim consolidated financial statements for the six months ended 30 September 2018 are prepared in accordance with the framework concepts and the recognition and measurement criteria of International Financial Reporting Standards (IFRS), its interpretations adopted by the International Accounting Standards Board (IASB), the presentation and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, IAS 34 – Interim Financial Reporting, the Listings Requirements of the JSE Limited and the requirements of the Companies Act of South Africa (Act 71 of 2008), as amended. The unaudited condensed interim consolidated financial statements are prepared in accordance with the going concern principle under the historical cost basis as modified by the fair value accounting of certain assets and liabilities where required or permitted by IFRS. The fair value of financial instruments approximates their carrying value. The unaudited condensed interim consolidated financial statements have been prepared under the supervision of Pierre Van Eeden, CA (SA), the Financial Director.

All financial information presented in South African Rand has been rounded to the nearest thousand.

2. Significant accounting policies

These unaudited condensed interim consolidated financial statements have been prepared using accounting policies that comply with IFRS and are consistent with those used in the audited annual consolidated financial statements for the year ended 31 March 2018.

3. Disposal of subsidiaries

NOSA Group - Testing inspection and certification services segment

On 13 October 2017 the group announced the proposed disposal of NOSA Group for an aggregate cash consideration up to R747.8 million. The group treated these operations in accordance with IFRS 5 in the 2018 financial year. There is an ongoing dispute with the purchasers regarding the Earn Out, this dispute is expected to be finalised by year end.

4. Commitments and contingencies

	Unaudited 6 months Ended 30 September 2018 R'000	Reviewed 6 months ended 30 September 2017 R'000	Audited 12 months ended 31 March 2018 R'000
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Operating lease commitments

The future aggregated minimum lease payments under non-cancellable operating leases are as follows:

Not later than one year	25 614	31 682	16 257
Later than one year and not later than five years	33 591	61 274	49 583
Later than five years	-	-	741
	59 205	92 956	66 581

Capital commitments

There was no capital expenditure contracted for at the reporting date which has not yet been incurred and recognised in the financial statements.

Contingencies

The group has contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from these contingent liabilities.

5. Segment information

	Unaudited 6 months Ended 30 September 2018 R'000	Reviewed 6 months ended 30 September 2017 R'000	Audited 12 months ended 31 March 2018 R'000
SEGMENT REVENUE			
Consulting Services	124 621	134 155	251 309
Software Solutions	76 992	91 315	203 450
ICT Support Services	91 644	74 191	148 787
Water Technologies	120 021	90 780	226 339
Holdings and consolidated	(13 335)	(14 073)	(31 928)
Total revenue	399 943	376 368	797 957
SEGMENT PROFIT / (LOSS)			
Consulting Services	3 358	8 009	12 027
Software Solutions	7 442	30 083	74 052
ICT Support Services	8 525	8 672	11 897
Water Technologies	13 263	6 031	10 438
Holdings and consolidated	176 821	(6 065)	(24 620)
Total profit	209 409	46 730	83 795
SEGMENT ASSETS			
Consulting Services	183 281	225 848	188 564
Software Solutions	535 344	408 993	503 851
ICT Support Services	74 143	72 017	62 595
Water Technologies	276 139	296 470	283 679
Holdings and consolidated	174 593	534 127	561 893
Total assets	1 243 500	1 537 455	1 600 582
SEGMENT LIABILITIES			
Consulting Services	45 079	66 624	56 788
Software Solutions	72 696	94 918	272 439
ICT Support Services	22 059	30 274	26 053
Water Technologies	143 388	184 177	166 076
Holdings and consolidated	100 228	201 536	27 777
Total liabilities	383 450	577 529	549 133

6. Related party disclosure

The group entered into transactions and had balances with related parties as listed below. These include associates, joint operations, directors and members of key management. The transactions that are eliminated on consolidation are not included. Transactions with related parties are effected on a commercial basis and related party debts are repayable on a commercial basis.

	Unaudited 6 months ended 30 September 2018 R'000	Reviewed 6 months ended 30 September 2017 R'000	Audited 12 months ended 31 March 2018 R'000
Kyostax Proprietary Limited			
Associate			
Revenue	6 500	7 579	15 718
Other financial assets	4 640	4 640	4 640
Kamberg Investment Holdings Proprietary Limited			
Trade receivables	-	5 176	104
Shareholders for dividend	-	-	1 370
Interest paid	-	-	298
Laird Investments Proprietary Limited			
Shareholders for dividend	-	-	26 934
Interest paid	-	-	2 641
Talacar Holdings Proprietary Limited			
Consulting fees	2 538	2 538	2 538

7. Corporate Governance and changes to the board of directors of Sebata (“board”)

Sebata has embraced the recommendations of the King IV Report on governance and strives to provide reports to shareholders that are timely, accurate, consistent and informative.

Changes to the board which occurred subsequent to the period end were as follows:

- Cornelia Kemp resigned as the Financial Director with effect from 31 October 2018.
- Pierre van Eeden was appointed as Financial Director with effect from 1 November 2018.
- Grant Jacobs has resigned as Independent Non-Executive Director with effect from 12 October 2018.
- Ruan Viljoen resigned as the Company Secretary with effect from 31 October 2018.
- Reegan Smith was appointed as the Company Secretary with effect from 1 November 2018.

8. Subsequent events

No other significant events have occurred in the period between the reporting date and the date of this report.

9. Commentary on results

During the six months under review, Sebata was restructured into four distinct operating divisions. These have been classified under continuing operations in the results and disclosed in the segmental reporting note. The first six months of the year were tough, particularly for the Software Solutions division which is historically the biggest earnings contributor to the group. The volatile political landscape within which we have been operating has resulted in a slower than expected uptake of our software solutions within local government which has contributed to the poor performance of that business. This is reflected in the decrease of 51.3% in the HEPS from continuing operations from 42.64 cents as at 30 September 2017 to 20.76 cents. The decrease in continued HEPS is a direct result of a key municipal client failing to pay approximately R88 million that is due to the Company. While we are confident that we will receive the funds the Company has decided, due to the prolonged difficulty

in receiving payment, to exclude this amount from the period's earnings. Without this adjustment, continued HEPS would have been approximately 20% up on a normalised basis.

While EPS from continuing operations of 182.5 cents reflected a 346% increase from 40.92 cents as at 30 September 2017, this is largely attributable to the profit recognised on the sale of the NOSA Group of Companies.

Outlook

Sebata has now, for the first time since its listing in 2000, rationalised its portfolio of businesses into a single focused portfolio and has reclassified its FTSE sector classification with the JSE from the business support services to the computer services sector. In line with this rationalisation, the group has been reorganised into four distinct divisions; Software Solutions, Water Technologies, ICT Support Services and Consulting Services allowing for a clear focus and strategy underpinned by proprietary intellectual property.

The Water Technologies division continues to perform well as the demand for our water management devices and solutions grows both locally and internationally.

The investment in the Software Solutions division is largely behind us. The rewrites were in line with changing legislation to the functionality of Local Government's financial management systems. To date, we have successfully implemented the new software at 39 clients. We believe that our superior product and reduced competition will yield strong returns on this investment.

We anticipate that the dispute with the Purchasers on the Earn Out relating to the disposal of the NOSA Group of Companies will be resolved by financial year end. Once this has been resolved we will be in a better position to finalise a further dividend in relation to the sale, as previously communicated.

Financial Results

Revenue has increased by 6.1% compared to the previous corresponding period. This has however not been translated to attributable earnings at the same rate due to the tough trading conditions described above. The net asset value per share of the group has decreased by 5.3% from 756.71 cents as at 30 September 2017 to 716.19 cents. This is due to the disposal of the NOSA Group of companies. The Board is confident that the group will be able to generate the expected returns for shareholders going forward that it has consistently done in the past.

By order of the Board

20 December 2018

Directors: DA Di Siena (Independent Non-Executive Chairperson); IG Morris (Chief Executive Officer); P van Eeden (Financial Director); CA King (Director – Strategic Finance); PH Duvenhage (Non-Executive Director); TW Hamill (Non-Executive Director); RC Lewin (Independent Non-Executive Director); and D Passmore (Independent Non-Executive Director)

Company Secretary: RB Smith

Auditors: Nexia SAB&T

Transfer Secretaries: Singular Systems Proprietary Limited

Sponsor: Merchantec Capital

Attorneys: Di Siena Attorneys

Note: No forward looking statements in this announcement have been reviewed or reported on by Sebata's auditors.