



Sebata Holdings

INNOVATIVE SOLUTIONS

**CONDENSED CONSOLIDATED RESULTS FOR
THE SIX MONTHS ENDED 30 SEPTEMBER 2019**

Sebata 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 2019

CONDENSED GROUP STATEMENT OF PROFIT AND LOSS

	Unaudited 6 months ended 30 September 2019 R'000	Unaudited 6 months ended 30 September 2018 Represented R'000	Audited 12 months ended 31 March 2019 Represented R'000
Continuing operations			
Revenue	261 213	276 696	526 907
Cost of sales	(115 155)	(115 528)	(234 536)
Gross profit	146 058	161 168	292 371
Other net income	578	316 166	308 322
Distribution expenses	(2 248)	(1 953)	(3 827)
Administration expenses	(282 319)	(145 225)	(311 696)
(Loss)/Profit from operations	(137 931)	330 156	285 170
Finance income	3 270	3 224	7 572
Finance cost	(6 314)	(2 871)	(6 635)
Share of profit of equity accounted associate	1 081	860	1 896
(Loss)/Profit before tax	(139 894)	331 369	288 003
Tax expense	3 453	(126 823)	(132 274)
(Loss)/Profit for the year from continuing operations	(136 441)	204 546	155 729
Profit for the year from discontinued operations	17 393	11 900	2 419
(Loss)/Profit for the year	(119 048)	216 446	158 148
(Loss)/Profit attributable to:			
Owners of the parent - continuing	(137 849)	199 392	148 707
Owners of the parent - discontinued	16 485	10 017	2 526
Non-controlling interest – continuing	1 407	5 153	7 022
Non-controlling interest - discontinued	909	1 884	(107)
	(119 048)	216 446	158 148
Attributable earnings per share (cents)			
Basic	(107.28)	182.50	131.93
Continuing operations	(121.85)	173.77	129.73
Discontinued operations	14.57	8.73	2.20
Diluted basic	(107.20)	182.34	131.82
Continuing operations	(121.76)	173.63	129.62
Discontinued operations	14.56	8.72	2.20
Headline	(48.87)	20.76	(30.19)
Continuing operations	(63.44)	12.03	(32.45)

Discontinued operations	14.57	8.73	2.26
Diluted headline	(48.84)	20.74	(30.16)
Continuing operations	(63.40)	12.02	(32.42)
Discontinued operations	14.56	8.72	2.26

CONDENSED GROUP STATEMENT OF OTHER COMPREHENSIVE INCOME

	Unaudited 6 months ended 30 September 2019 R'000	Unaudited 6 months ended 30 September 2018 R'000	Audited 12 months ended 31 March 2019 R'000
(Loss)/Profit for the year	(119 048)	216 446	158 148
Other comprehensive income:			
Foreign currency translation differences	146	(32)	(35)
Disposal of subsidiaries	-	2 939	2 785
	(118 902)	219 353	160 898
Total comprehensive income attributable to:			
Owners of the parent	(121 218)	212 316	153 983
Non-controlling interest	2 316	7 037	6 915
	(118 902)	219 353	160 898
Reconciliation of headline earnings (net of tax) for continuing operations:			
(Loss)/Profit attributable to owners of the parent	(137 849)	199 392	148 707
Loss/(Profit) on disposal of property, plant and equipment	(137)	(146)	599
(Profit)/Loss on disposal of investment in subsidiaries	(994)	(185 441)	(186 510)
Impairment of Intangible Asset	67 205	-	-
Headline earnings	(71 775)	13 805	(37 204)
Reconciliation of headline earnings (net of tax) for discontinued operations:			
Loss/Profit attributable to owners of the parent	16 485	10 017	2 526
Loss/(Profit) on disposal of property, plant and equipment	-	-	71
Loss/(Profit) on disposal of investment in subsidiaries	-	-	-
Headline earnings	16 485	10 017	2 597
Weighted average number of shares (000s)	113 130	114 742	114 629
Diluted weighted average number of shares (000s)	113 209	114 844	114 723
Total number of shares in issue (000s)	113 128	113 729	112 284

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

	Unaudited As at 30 September 2019 R'000	Unaudited As at 30 September 2018 R'000	Audited As at 31 March 2019 R'000
ASSETS			
Non-current assets	545 142	687 788	690 003
Property, plant and equipment	45 981	33 374	29 829
Intangible assets	462 521	614 666	626 831
Investments in associates	20 783	18 666	19 702
Other financial assets	-	-	-
Deferred tax assets	15 857	21 082	13 641
Current assets	256 433	553 392	428 384
Inventories	6 264	53 352	74 288
Trade and other receivables	191 316	316 116	225 889
Income tax receivable	5 477	4 045	6 681
Other financial assets	35 142	97 903	79 854
Cash and cash equivalents	18 234	81 976	41 672
Assets held for sale	218 599	-	-
TOTAL ASSETS	1 020 174	1 241 180	1 118 387
EQUITY AND LIABILITIES			
EQUITY	630 449	857 730	790 441
Share capital and share premium	285 063	288 161	280 372
Other reserves	8 465	8 487	8 653
Retained earnings	338 634	515 536	455 992
Non-controlling interest	(1 713)	45 546	45 424
LIABILITIES			
Non-current liabilities	94 799	74 904	95 556
Other financial liabilities	12 987	520	881
Deferred vendor payments	-	-	-
Deferred tax liabilities	81 812	74 384	94 675
Current liabilities	239 704	308 546	232 390
Trade and other payables	102 974	135 918	116 863
Other financial liabilities	68 393	54 559	5 752
Income tax payable	42 174	111 523	79 756
Deferred vendor payments	7 059	6 546	7 473
Bank overdraft	19 104	-	22 546
Liabilities directly associated with assets held for sale	55 222	-	-
TOTAL LIABILITIES	389 725	383 450	327 946

TOTAL EQUITY AND LIABILITIES	1 020 174	1 241 180	1 118 387
Net asset value per share (cents)	558.80	716.19	663.51
Net tangible asset value per share (cents)	149.95	173.96	105.26

CONDENSED GROUP STATEMENT OF CASH FLOW

	Unaudited 6 months ended 30 September 2019 R'000	Unaudited 6 months ended 30 September 2018 R'000	Audited 12 months ended 31 March 2019 R'000
Cash flow from operating activities	(14 072)	(38 677)	(23 950)
Cash generated from operations	33 026	(26 249)	(2 567)
Finance income	841	2 211	5 583
Finance costs	(5 246)	(2 425)	(6 025)
Income tax paid	(42 693)	(12 214)	(20 941)
Cash flow from investing activities	(54 595)	540 280	518 631
Property, plant and equipment acquired	(6 535)	(6 394)	(9 979)
Intangible assets acquired	(36 393)	(55 824)	(86 681)
Proceeds on disposal of property, plant and equipment	652	2 545	2 863
Acquisition of subsidiaries and businesses	-	-	-
Acquisition of non-controlling interest without a change in control	(20 000)	-	-
Cash (forfeited)/received on disposal of subsidiaries and businesses	7 681	585 700	596 191
Loans receivable raised	-	14 253	16 237
Cash flow from financing activities	37 109	(340 519)	(396 447)
Treasury shares sold/(repurchased)	4 691	(7 975)	(15 794)
Other financial liabilities repaid	(31 558)	(1 373)	(31 147)
Other financial liabilities raised	64 390	17 626	-
Deferred vendor payments repaid	(414)	(2 250)	(2 959)
Dividends paid to non-controlling interest	-	(2 755)	(2 755)
Dividends paid	-	(343 792)	(343 792)
(Decrease)\Increase in cash and cash equivalents	(31 558)	161 084	98 234
Cash and cash equivalents included in assets held for sale	11 562	-	-
Cash and cash equivalents at the beginning of the year	19 126	(79 108)	(79 108)
Cash and cash equivalents at the end of the year	(870)	81 976	19 126

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 2018	295 937	7 114	650 059	98 339	1 051 449
Adjustment on initial application of IFRS 9 and IFRS15	-	-	(2 320)	-	(2 320)
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)	-	(343 792)
Treasury shares purchased	(7 975)	-	-	-	(7 975)
Share-based payment transactions	199	(1 534)	2 180	(2 755)	845
Disposal of subsidiaries	-	2 939	-	(57 075)	(54 136)
Changes in ownership interest in subsidiaries without a change in control	-	-	-	-	-
Balance at 30 September 2018	288 161	8 487	515 536	45 546	857 730
Balance at 1 October 2018	288 161	8 487	515 536	45 546	857 730
Profit for the year	-	-	(58 176)	(122)	(58 298)
Other comprehensive income					
Foreign currency translation differences	-	(3)	-	-	(3)
Transactions with owners, recorded directly in equity					
Dividends paid	-	-	-	-	-
Share-based payment transactions	30	323	(1 368)	-	(1 015)
Disposal of subsidiaries	-	(154)	-	-	(154)
Treasury shares purchased	(7 819)	-	-	-	(7 819)
Changes in ownership interest in subsidiaries without a change in control	-	-	-	-	-
Balance at 31 March 2019	280 372	8 653	455 992	45 424	790 441
Balance at 1 April 2019	280 372	8 653	455 992	45 424	790 441
Profit for the year	-	-	(121 364)	2 316	(119 048)
Other comprehensive income					
Foreign currency translation differences	-	146	-	-	146
Transactions with owners, recorded directly in equity					
Dividends paid	-	-	-	-	-
Share-based payment transactions	-	(334)	571	-	237
Disposal of subsidiaries	-	-	-	(26 018)	(26 018)

Treasury shares sold	4 691	-	-	-	4 691
Changes in ownership interest in subsidiaries without a change in control	-	-	3 435	(23 435)	(20 000)
Balance at 30 September 2019	285 063	8 465	338 634	(1 713)	630 449

NOTES TO THE GROUP FINANCIAL INFORMATION

1. Basis of preparation

These unaudited condensed interim consolidated financial statements for the six months ended 30 September 2019 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 2019.

3. Adoption of new accounting policies

The group has adopted all new accounting standards that became effective in the current reporting period. The following standard had an impact on the group.

- IFRS 16 Leases

The group has adopted IFRS 16 retrospectively from 1 March 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The right-of-use asset was measured at the value of the lease liability and adjusted by the amount of any previously recognised prepaid or accrued lease payments. The reclassifications and the adjustments arising from the adoption of IFRS 16 are therefore recognised in the opening statement of financial position on 1 March 2019. IFRS 16 introduced a single, on-balance sheet accounting model for leases. As a result, the group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. After the adoption of IFRS 16, the group recognised a depreciation expense on the right-of-use assets and an interest expense accruing on the lease liabilities.

From 1 March 2019, the group recognises right-of-use assets and lease liabilities at the lease commencement date for most leases. The lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 March 2019. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. Interest costs are charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The associated right-of-use assets were measured at the amount equal to the lease liability and are subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The right-of-use assets are depreciated over the shorter of the assets' useful lives and the lease terms on a straight-line basis.

On adoption of IFRS 16, the group recognised right-of-use assets and lease liabilities. The impact on adoption is summarised below:

	1 April 2019
Right of use assets	47 373
Adjusted by previously recognised lease smoothing accruals	(7 204)
Total Assets	40 169
Non-current lease liabilities	24 895
Current lease liabilities	22 478
Total Liabilities	47 373

4. Disposal of subsidiaries

On 31 May 2019, the group disposed of its' 50% interest in Mubesko Africa Proprietary Limited ("Mubesko") for a consideration of R 43.1 million. The disposal resulted in a loss of control of Mubesko, this resulted in the derecognition of net assets to the value of R15.3 million and goodwill to the value of R20.7 million.

On 20 August 2019, the group announced that it had entered into Sale of Shares Agreements, Donation Agreements and Shareholders' Agreements with Inzalo Capital Holdings ("Inzalo"), for the disposal of 55% of the total issued share capital in Amanzi Meters Proprietary Limited ("Amanzi Meters") and USC Metering Proprietary Limited ("USC Metering") and the donation of 5% of the total issued share capital in each of such companies to Inzalo for an aggregate purchase consideration of R388 484 000. A circular in this regard was distributed to shareholders on 20 December 2019. Although the effective date of the transaction is 1 August 2019, the transaction is still subject to shareholders approval and hence the assets and liabilities of Amanzi Meters and USC Metering have been recognised as Non-Current Assets and Non-Current liabilities held for sale in accordance with IFRS 5. As a result of the classification to Non-current Assets and Non-current Liabilities held for sale the statement of profit and loss for the prior periods has been restated in accordance with IFRS 5 to reflect the results of the discontinued operations.

5. Commitments and contingencies

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.

6. Segment information

Unaudited 6 months ended 30 September	Unaudited 6 months ended 30 September	Audited 12 months ended 31 March
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	2019	2018	2019
	R'000	R'000	R'000
SEGMENT REVENUE			
ICT Support Services	81 990	91 644	184 759
Software and Consulting Services	199 098	201 613	395 919
Water Technologies*	141 695	120 021	210 900
Holdings and consolidated	(25 033)	(13 335)	(39 669)
Total revenue	397 750	399 943	751 909
SEGMENT PROFIT / (LOSS)			
ICT Support Services	1 326	8 525	10 564
Software and Consulting Services	(86 225)	10 800	29 304
Water Technologies*	17 393	13 263	2 526
Holdings and consolidated	(53 860)	176 821	108 839
Total profit	(121 366)	209 409	151 233
SEGMENT ASSETS			
ICT Support Services	50 236	74 143	47 392
Software and Consulting Services	553 323	718 625	815 114
Water Technologies*	218 599	276 139	217 916
Holdings and consolidated	198 016	174 593	37 965
Total assets	1 020 174	1 243 500	1 118 387
SEGMENT LIABILITIES			
ICT Support Services	19 724	22 059	13 356
Software and Consulting Services	301 625	117 775	434 901
Water Technologies*	55 222	143 388	120 534
Holdings and consolidated	13 154	100 228	(240 845)
Total liabilities	389 725	383 450	327 946

* The water technologies division is presented as the discontinued operation on the face of the statement of profit and loss and is included in Non-current assets and liabilities held for sale on the statement of financial position

7. 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	Unaudited	Audited
6 months	6 months	12 months
ended	ended	ended
30 September	30 September	31 March
2019	2018	2019
R'000	R'000	R'000

Kyostax Proprietary Limited

Associate

Revenue	7 115	6 500	17 058
Other financial assets	4 640	4 640	4 640

Kamberg Investment Holdings Proprietary Limited

Loan Payable	10 168	-	-
Interest paid	210	-	846

Laird Investments Proprietary Limited

Loan Payable	34 903	-	-
Interest paid	1 903	-	3 079

Talacar Holdings Proprietary Limited

Consulting fees	-	2 538	2 538
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8. 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 during the period end were as follows:

- Sipiwe Nodwele was appointed as an independent non-executive director and chairperson of the Audit Committee on 29 July 2019.
- Khanyisile Moses was appointed as an executive director with effect from 12 September 2019.

9. Subsequent events

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

10. Commentary on results

We have experienced an accelerated slowdown in government spending. There are two main reasons for this. First, there is increased scrutiny on all public sector spending as Government tries to reverse the endemic corruption that we have witnessed for a number of years (A number of our competitors have been named recently in corruption investigations but our strong ethics and governance ensured that we rather lost business than gain it through corrupt practices). Secondly, the local economy is not growing and that is unlikely to change in the near term without a major coordinated effort by Government agencies - which is not visible at this time.

The forced withdrawal, due to long-standing non-payment, of our services from our largest municipal client necessitated a significant once off impairment of our internally generated software solutions. Additionally, ongoing legal disputes with the purchasers of the NOSA group relating to the Earn Out and a complete write down on the vendor financing advanced to the purchasers of The Training Room Online (“TTRO”) (disposed of in 2018) have compounded the results for the period.

The only mildly bright note is that, once we strip out the non-trading adjustments, Sebata delivered a decent operational performance in an economy that is struggling to keep itself out of a recession.

The revenue from continuing operations increased by 6.7% from R240 million to R256 million (when excluding the results of Mubesko). EPS from continuing operations is not directly comparable to the prior period. The comparison is distorted by the profit recognised on the sale of NOSA in the prior period and by the provision of R46 million on the outstanding proceeds on the sale of TTRO and the impairment of R66 million of our software as a result of terminating our relationship with a key municipal client. This period is also the first full financial year where our software division has amortised its intellectual property.

The period impact is R16.2 million. Without these adjustments the reported decrease in HEPS from continuing operations from 12.03 in 2018 to (63.44) would have been approximately (7) cents a share- which would be acceptable under the circumstances that prevailed during the period.

Outlook

The trading conditions are not expected to ease in the short term and the board expects the results to reflect these conditions over the next six trading months and beyond. The board still believes that Sebata is best positioned when compared to our competition in the local government sector. The competition still remains under pressure and our superior product set will still yield strong returns in the future.

The need to empower our businesses has become paramount- hence the empowerment transaction that was entered into with Inzalo Capital Holdings for the disposal of the majority stake in our water businesses. This not only unlocked value for shareholders but also ensures that the reduced stake in the water businesses will produce stronger returns for shareholders. The board is actively seeking to similarly empower the consulting and software divisions.

Sebata has for the first time established an office in the United Kingdom with the aim of exporting our products and services. The sole right to distribute the water management devices produced by USC has been secured by the international office giving us exposure to the strong demand for these products internationally.

The dispute with the Purchasers on the Earn Out relating to the disposal of the NOSA Group of Companies is ongoing. The board considers that Sebata has a very strong legal position and that once the matter has run its course the balance of the proceeds will be paid to us. On finalisation of this matter the board still expects to declare the balance of these proceeds from the disposal as a dividend to shareholders.

By order of the board

23 December 2019

Directors: DA Di Siena (Independent Non-Executive Chairperson); IG Morris (Chief Executive Officer); P van Eeden (Financial Director); CA King (Executive Director); K Moses (Executive Director); PH Duvenhage (Non-Executive Director); TW Hamill (Non-Executive Director); S Nodwele (Chair of the Audit Committee and Independent 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.