

MICROmega Holdings Limited
Incorporated in the Republic of South Africa
(Registration number 1998/003821/06)
JSE Share code: MMG ISIN: ZAE000034435
("MICROmega" or "the company" or "the group")

PROVISIONAL CONDENSED ANNUAL CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 MARCH 2018

CONDENSED GROUP STATEMENT OF PROFIT AND LOSS

	Audited	Audited
	12 months	12 months
	ended	ended*
	31 March	31 March
	2018	2017
	R'000	R'000
Continuing operations		
Revenue	797 957	808 176
Cost of sales	(354 790)	(418 029)
Gross profit	443 167	390 147
Other net income	41 349	6 824
Distribution expenses	(4 489)	(2 659)
Administration expenses	(344 033)	(267 871)
Profit from operations	135 994	126 441
Finance income	2 073	1 816
Finance cost	(8 210)	(3 325)
Share of profit of equity accounted associate	1 271	1 902
Profit before tax	131 128	126 834
Tax expense	(37 269)	(30 781)
Profit for the year from continuing operations	93 859	96 053
Profit for the year from discontinued operations	95 989	119 120
Profit for the year	189 848	215 173
Profit attributable to:		
Owners of the parent - continuing	83 795	61 459
Owners of the parent - discontinued	92 656	115 377
Non-controlling interest – continuing	10 064	15 023
Non-controlling interest - discontinued	3 333	23 314
	189 848	215 173
Attributable earnings per share (cents)		
Basic	154.50	155.59
Continuing operations	73.37	54.08
Discontinued operations	81.13	101.51
Diluted basic	154.04	154.58
Continuing operations	73.15	53.73
Discontinued operations	80.89	100.85
Headline	153.26	157.76
Continuing operations	72.13	56.31
Discontinued operations	81.13	101.45

Diluted headline	152.80	156.74
Continuing operations	71.91	55.94
Discontinued operations	80.89	100.80

*The comparative periods included in the statement of profit and loss have been re-presented to align the disclosure with the requirements of IFRS5 on discontinued operations.

CONDENSED GROUP STATEMENT OF OTHER COMPREHENSIVE INCOME

	Audited 12 months ended 31 March 2018 R'000	Audited 12 months ended 31 March 2017 R'000
Profit for the year	189 848	215 173
Other comprehensive income:		
Foreign currency translation differences	1 502	(5 667)
Disposal of subsidiaries	(1 730)	-
	189 620	209 506
Total comprehensive income attributable to:		
Owners of the parent	176 223	171 169
Non-controlling interest	13 397	38 337
	189 620	209 506
Reconciliation of headline earnings (net of tax) for continuing operations:		
Profit attributable to owners of the parent	83 795	61 459
Profit on disposal of property, plant and equipment	(443)	(1 371)
Loss/(profit) on disposal of investment in subsidiaries	(977)	3 906
Headline earnings	82 375	63 994
Reconciliation of headline earnings (net of tax) for discontinued operations:		
Profit attributable to owners of the parent	92 656	115 377
Loss/(profit) on disposal of property, plant and equipment	5	(69)
Loss/(profit) on disposal of investment in subsidiaries	-	-
Headline earnings	92 661	115 308
Weighted average number of shares (000s)	114 209	113 656
Diluted weighted average number of shares (000s)	114 549	114 394
Total number of shares in issue (000s)	114 597	114 211

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

Audited As at 31 March 2018	Audited As at 31 March 2017
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	R'000	R'000
ASSETS		
Non-current assets	664 702	838 151
Property, plant and equipment	36 245	59 677
Intangible assets	560 104	735 664
Investments in associates	17 806	15 550
Other financial assets	25 000	-
Deferred tax assets	25 547	27 260
Current assets	434 417	516 433
Inventories	53 114	44 777
Trade and other receivables	295 571	409 018
Income tax receivable	6 335	5 806
Other financial assets	39 777	6 288
Cash and cash equivalents	39 620	50 544
Assets held for sale	501 463	-
TOTAL ASSETS	1 600 582	1 354 584
EQUITY AND LIABILITIES		
EQUITY	1 051 449	948 790
Share capital and share premium	295 937	292 452
Other reserves	7 114	6 909
Retained earnings	650 059	534 917
Non-controlling interest	98 339	114 512
LIABILITIES		
Non-current liabilities	77 449	103 378
Other financial liabilities	1 745	4 359
Deferred vendor payments	8 566	7 126
Deferred tax liabilities	67 138	91 893
Current liabilities	344 145	302 416
Trade and other payables	177 255	202 016
Other financial liabilities	35 320	2 795
Income tax payable	6 271	6 397
Deferred vendor payments	6 571	32 644
Bank overdraft	118 728	58 564
Liabilities directly associated with assets held for sale	127 539	-
TOTAL LIABILITIES	549 133	405 794
TOTAL EQUITY AND LIABILITIES	1 600 582	1 354 584
Net asset value per share (cents)	831.71	730.47
Net tangible asset value per share (cents)	342.95	86.34

CONDENSED GROUP STATEMENT OF CASH FLOW

	Audited 12 months ended 31 March 2018 R'000	Audited 12 months ended 31 March 2017 R'000
Cash flow from operating activities	234 876	187 477
Cash generated from operations	261 541	216 994
Finance income	1 968	2 140
Finance costs	(324)	(1 475)
Income tax paid	(28 309)	(30 182)
Cash flow from investing activities	(225 935)	(165 278)
Property, plant and equipment acquired	(42 506)	(19 938)
Intangible assets acquired	(168 919)	(158 197)
Proceeds on disposal of property, plant and equipment	2 120	3 918
Acquisition of subsidiaries and businesses	(4 376)	(6 750)
Acquisition of non-controlling interest without a change in control	-	(2 128)
Cash (forfeited)/received on disposal of subsidiaries and businesses	(13 765)	17 018
Loans receivable repaid	1 511	799
Cash flow from financing activities	(60 972)	(70 109)
Treasury shares repurchased	(544)	(10 841)
Other financial liabilities repaid	(4 625)	(5 035)
Other financial liabilities raised	31 960	-
Deferred vendor payments repaid	(19 497)	(1 607)
Dividends paid to non-controlling interest	(5 332)	(3 139)
Dividends paid	(62 934)	(49 487)
(Decrease)\Increase in cash and cash equivalents	(52 031)	(47 910)
Cash and cash equivalents included in assets held for sale	(19 057)	-
Cash and cash equivalents at the beginning of the year	(8 020)	39 890
Cash and cash equivalents at the end of the year	(79 108)	(8 020)

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 2016	266 852	12 333	411 651	75 672	766 508
Profit for the year	-	-	176 836	38 337	215 173
Other comprehensive income					

Foreign currency translation differences	-	(5 667)	-	-	(5 667)
Transactions with owners, recorded directly in equity					
Dividends paid	-	-	(49 487)	(3 139)	(52 626)
Treasury shares purchased	(10 841)	-	-	-	(10 841)
Share-based payment transactions	2 834	243	1 770	-	4 847
Acquisition of subsidiaries	33 607	-	-	-	33 607
Changes in ownership interest in subsidiaries without a change in control	-	-	(5 853)	3 642	(2 211)
Balance at 31 March 2017	292 452	6 909	534 917	114 512	948 790
Balance at 1 April 2017	292 452	6 909	534 917	114 512	948 790
Profit for the year	-	-	176 451	13 397	189 848
Other comprehensive income					
Foreign currency translation differences	-	1 502	-	-	1 502
Transactions with owners, recorded directly in equity					
Dividends paid			(62 934)	(5 332)	(68 266)
Share-based payment transactions	4 023	433	1 625	-	6 081
Disposal of subsidiaries	-	(1 730)	-	(24 238)	(25 968)
Treasury shares purchased	(538)	-	-	-	(538)
Balance at 31 March 2018	295 937	7 114	650 059	98 339	1 051 449

NOTES TO THE GROUP FINANCIAL INFORMATION

1. Basis of preparation

These provisional condensed annual consolidated financial statements for the year ended 31 March 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 provisional condensed annual 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 provisional condensed annual consolidated financial statements have been prepared under the supervision of Cornelia Kemp, CA (SA), the Financial Director.

The provisional condensed annual consolidated financial statements are extracted from the audited annual consolidated financial statements and are consistent in all material respects with the group financial statements which are available for inspection at the company's registered office. This provisional report is extracted from audited financial information but is not itself audited.

The directors take full responsibility for the preparation of the report and confirm the financial information has been correctly extracted from the underlying audited annual consolidated financial information.

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

2. Significant accounting policies

These provisional condensed annual 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 2017.

3. Audit opinion

The annual consolidated financial statements were audited by the group's auditors, Nexia SAB&T, and their unmodified audit report is available for inspection at the group's registered office.

4. Business combinations

IPES-Utility Management Systems Proprietary Limited ("UMS")

On 1 April 2017, the group acquired UMS for a consideration of R31.9 million. Goodwill to the value of R25.7 million was accounted for. The amount of net assets acquired amounted to R6.2 million.

5. Disposal of subsidiaries

Profit Reform Proprietary Limited ("COID Support")

On 1 August 2017, the group disposed of its 51% interest in COID Support for a consideration of R2.2 million, which resulted in a loss of control of COID Support. This event resulted in the derecognition of goodwill to the value of R4.3million and other net assets of R1.5million, which is included in the loss on disposal of R3.6 million.

The Training Room Online Proprietary Limited and The Training Room Online Global Limited ("TTRO")

On 1 April 2017, the group disposed of its 31% interest in TTRO for a consideration of R25.0 million, which resulted in a loss of control of TTRO. This resulted in the re-measurement of the deferred vendor payments to the value of R24.8 million and a profit on disposal of R5.0 million recorded in profit and loss.

6. Discontinued operations

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. The following table details the results of these discontinued operations included in the group statement of profit and loss.

	Audited 12 months ended 31 March 2018 R'000	Audited 12 months ended 31 March 2017 R'000
Revenue	490 979	439 304
Cost of sales	(200 645)	(185 845)
Gross profit	290 334	253 459
Other net income/(expenses)	2 399	(175)
Distribution expenses	(3 100)	(2 675)
Administration expenses	(177 247)	(146 586)
Results from operations	112 386	104 023
Finance income	787	312
Finance cost	(543)	(186)
Profit before tax	112 630	104 149
Tax expense	(16 641)	(24 971)
Profit from discontinued operations	95 989	79 178
Profit from discontinued operations attributable to:		
Owners of the parent	92 656	75 435
Non-controlling interest	3 333	3 743
	95 989	79 178

The following table details the assets and liabilities classified as held for sale in the group statement of financial position.

	Reviewed As at 31 March 2018 R'000
ASSETS	
Property, plant and equipment	45 636
Intangible assets	324 407
Deferred tax assets	-
Inventories	3 273
Trade and other receivables	109 090
Cash and cash equivalents	19 057
TOTAL ASSETS	501 463
LIABILITIES	
Deferred vendor payments	(4 100)
Deferred tax liabilities	(45 445)
Trade and other payables	(76 576)
Income tax payable	(1 414)
TOTAL LIABILITIES	(127 535)
NET ASSETS	373 928

The following table details the cash flow of the discontinued operations included in the group cash flow statement.

	Audited 12 months ended 31 March 2018 R'000	Audited 12 months ended 31 March 2017 R'000
Cash flow from operating activities	116 057	47 216
Cash flow from investing activities	(39 450)	(29 688)
Cash flow from financing activities	(22 542)	(6 353)

The Training Room Online - Testing inspection and certification services segment

The group disposed of 31% of its interest in The Training Room Online on 1 April. The group treated these operations in accordance with IFRS 5. The following table details the results of these discontinued operations included in the group statement of profit and loss.

	Audited 12 months ended 31 March 2018 R'000	Audited 12 months ended 31 March 2017 R'000
Revenue	-	109 649
Cost of sales	-	(50 318)

Gross profit	-	59 331
Other net income/(expenses)	-	(349)
Distribution expenses	-	(66)
Administration expenses	-	(18 931)
Results from operations	-	39 985
Finance income	-	12
Finance cost	-	(32)
Profit before tax	-	39 965
Tax expense	-	(23)
Profit from discontinued operations	-	39 942

Profit from discontinued operations attributable to:

Owners of the parent	-	20 371
Non-controlling interest	-	19 571
	-	39 942

7. Commitments and contingencies

	Audited 12 months ended 31 March 2018 R'000	Audited 12 months ended 31 March 2017 R'000
Operating lease commitments		
The future aggregated minimum lease payments under non-cancellable operating leases are as follows:		
Not later than one year	16 257	32 723
Later than one year and not later than five years	49 583	69 732
Later than five years	741	-
	66 581	102 455

Capital commitments

There were no capital expenditure contracted for at the reporting date which have 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.

8. Segment information

	Audited 12 months ended 31 March 2018 R'000	Audited 12 months ended 31 March 2017 R'000
SEGMENT REVENUE		
Testing inspection and certification services	3 491	14 427
Labour supply	-	116 921
Information technology	813 354	649 607
Financial services	-	46 681
Holdings and consolidated	(18 888)	(19 460)
Total revenue	797 957	808 176
SEGMENT PROFIT / (LOSS)		
Testing inspection and certification services	412	3 661
Labour supply	-	4 055
Information technology	121 646	118 859
Financial services	-	7 312
Holdings and consolidated	(38 263)	(72 428)
Total profit	83 795	61 459
SEGMENT ASSETS		
Testing inspection and certification services	501 463	550 024
Labour supply	-	-
Information technology	903 170	739 916
Financial services	-	-
Holdings and consolidated	195 949	64 644
Total assets	1 600 582	1 354 584
SEGMENT LIABILITIES		
Testing inspection and certification services	127 539	151 631
Labour supply	-	-
Information technology	478 269	416 757
Financial services	-	-
Holdings and consolidated	(56 675)	(162 594)
Total liabilities	549 133	405 794

9. 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.

	Audited 12 months ended 31 March 2018 R'000	Audited 12 months ended 31 March 2017 R'000
Kyostax Proprietary Limited		
Associate		
Revenue	15 718	14 804
Other financial assets	4 640	5 640
GFI Securities Nyon SARL		
<i>Joint operation</i>		
Revenue	-	23 119
Trade receivables	-	-
Kamberg Investment Holdings Proprietary Limited		
Trade receivables	104	5 176
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	-

10. Corporate Governance and changes to the board of directors of MICROmega (“board”)

MICROmega 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.

Subsequent to year-end, Russell Dick resigned as an executive director of the board with effect from 18 April 2018 in line with the group’s policy to not have operational executives on the board. He was appointed as the Chief Executive Officer of MICROmega H2O Proprietary Limited.

11. Subsequent events

With the exception of the corporate action mentioned in note 6, no other significant events have occurred in the period between the reporting date and the date of this report.

12. Commentary on results

During the year under review, MICROmega has been restructured to become solely a provider of proprietary technology based solutions and services. These have been classified under continuing operations in the results. We are pleased to report a 36% growth in attributable earnings, from 54.08 cents to 73.37 cents, and 28% growth in headline earnings from 56.31 cents to 72.13 cents from these continuing operations. We are very satisfied with this growth rate given the tough market conditions and volatile political landscape within which we have been operating.

The restructuring will cause a reduction in the earnings base after the disposal of NOSA, which has traditionally been our second biggest earnings contributor. This was compensated for by the dividend distribution made in April 2018 of R3 a share from the disposal proceeds. Part of the disposal proceeds have yet to be settled as they are subject to finalisation of the year end results for NOSA and an independent review thereof. It remains our view that our market capitalisation is well below the valuation of our underlying businesses given their capacity to deliver sustainable earnings growth, and we are therefore continuing to explore mechanisms to unlock tangible value for our shareholders.

Prospects

MICRO*Omega* has now, for the first time since its listing in 2000, rationalised its portfolio of businesses into a single focused portfolio. An application has been lodged with the JSE to move the FTSE sector classification from the business support services sector to the computer services sector and it is anticipated that this will take place no later than the end of September 2018.

Our ERP and water management solutions have now been fully aligned to the increasing adoption of the smart city concept. In particular, our water management solutions and services are now being utilised in most regions in South Africa with the City of Cape Town taking the lead in this regard. The success we are enjoying in South Africa affords us the platform to export our solutions into Africa and other regions that have water demand management needs.

Financial Results

The results for the period reflect an increase of 13.86% in net asset value, a decrease of 0.7% in earnings per share, a decrease of 2.85% in headline earnings per share and a 7.55% increase in operating profit. These results need to be viewed in the context of the disposals of The Training Room Online, MECS Africa and MICRO*Omega* Securities businesses in the 2017 financial year, all of which contributed 28 cents per share to attributable earnings in that period. Taking this into consideration we are pleased with the 21% growth in attributable earnings per share achieved in this reporting period.

By order of the board

28 June 2018

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

Company Secretary: RJ Viljoen

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 has been reviewed or reported on by MICRO*Omega*'s auditors.