

Sebata Holdings Limited
 Incorporated in the Republic of South Africa
 (Registration number 1998/003821/06)
 JSE Share code: SEB ISIN: ZAE0000260493
 (“Sebata” or “the company” or “the group”)

PROVISIONAL CONDENSED ANNUAL CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 MARCH 2019

CONDENSED GROUP STATEMENT OF PROFIT AND LOSS

	Audited 12 months ended 31 March 2019 R'000	Audited 12 months ended 31 March 2018 R'000
Continuing operations		
Revenue	751 909	797 957
Cost of sales	(384 189)	(354 790)
Gross profit	367 720	443 167
Other net income	308 380	41 349
Distribution expenses	(4 467)	(4 489)
Administration expenses	(382 956)	(344 033)
Profit from operations	288 677	135 994
Finance income	7 831	2 073
Finance cost	(6 875)	(8 210)
Share of profit of equity accounted associate	1 896	1 271
Profit before tax	291 529	131 128
Tax expense	(133 381)	(37 269)
Profit for the year from continuing operations	158 148	93 859
Profit for the year from discontinued operations	-	95 989
Profit for the year	158 148	189 848
Profit attributable to:		
Owners of the parent - continuing	151 233	83 795
Owners of the parent - discontinued	-	92 656
Non-controlling interest - continuing	6 915	10 064
Non-controlling interest - discontinued	-	3 333
	158 148	189 848
Attributable earnings per share (cents)		
Basic	131.93	154.50
Continuing operations	131.93	73.37
Discontinued operations	-	81.13
Diluted basic	131.82	154.04
Continuing operations	131.82	73.15
Discontinued operations	-	80.89
Headline	(30.19)	153.26
Continuing operations	(30.19)	72.13
Discontinued operations	-	81.13

Diluted headline	(30.16)	152.80
Continuing operations	(30.16)	71.91
Discontinued operations	-	80.89

CONDENSED GROUP STATEMENT OF OTHER COMPREHENSIVE INCOME

	Audited 12 months ended 31 March 2019 R'000	Audited 12 months ended 31 March 2018 R'000
Profit for the year	158 148	189 848
Other comprehensive income:		
Foreign currency translation differences	(35)	1 502
Disposal of subsidiaries	2 785	(1 730)
	160 898	189 620
Total comprehensive income attributable to:		
Owners of the parent	153 983	176 223
Non-controlling interest	6 915	13 397
	160 898	189 620
Reconciliation of headline earnings (net of tax) for continuing operations:		
Profit attributable to owners of the parent	151 233	83 795
Loss/(profit) on disposal of property, plant and equipment	670	(443)
Loss/(profit) on disposal of investment in subsidiaries	(186 510)	(977)
Headline earnings	(34 607)	82 375
Reconciliation of headline earnings (net of tax) for discontinued operations:		
Profit attributable to owners of the parent	-	92 656
Loss/(profit) on disposal of property, plant and equipment	-	5
Loss/(profit) on disposal of investment in subsidiaries	-	-
Headline earnings	-	92 661
Weighted average number of shares (000s)	114 629	114 209
Diluted weighted average number of shares (000s)	114 723	114 549
Total number of shares in issue (000s)	112 284	114 597

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

	Audited as at 31 March 2019 R'000	Audited as at 31 March 2018 R'000
ASSETS		
Non-current assets	690 003	664 702
Property, plant and equipment	29 829	36 245
Intangible assets	626 831	560 104
Investments in associates	19 702	17 806
Other financial assets	-	25 000
Deferred tax assets	13 641	25 547
Current assets	428 384	434 417
Inventories	74 288	53 114
Trade and other receivables	225 889	295 571
Current tax	6 681	6 335
Other financial assets	79 854	39 777
Cash and cash equivalents	41 672	39 620
Assets held for sale	-	501 463
TOTAL ASSETS	1 118 387	1 600 582
EQUITY AND LIABILITIES		
EQUITY	790 441	1 051 449
Share capital and share premium	280 372	295 937
Other reserves	8 653	7 114
Retained earnings	455 992	650 059
Non-controlling interest	45 424	98 339
LIABILITIES		
Non-current liabilities	95 556	77 449
Other financial liabilities	881	1 745
Deferred vendor payments	-	8 566
Deferred tax liabilities	94 675	67 138
Current liabilities	232 390	344 145
Trade and other payables	116 863	177 255
Other financial liabilities	5 752	35 320
Current tax	79 756	6 271
Deferred vendor payments	7 473	6 571
Bank overdraft	22 546	118 728
Liabilities directly associated with assets held for sale	-	127 539
TOTAL LIABILITIES	327 946	549 133
TOTAL EQUITY AND LIABILITIES	1 118 387	1 600 582

Net asset value per share (cents)	663.51	831.71
Net tangible asset value per share (cents)	105.26	342.95

CONDENSED GROUP STATEMENT OF CASH FLOW

	Audited	Audited
	12 months	12 months
	ended	ended
	31 March	31 March
	2019	2018
	R'000	R'000
Cash flow from operating activities	(23 950)	234 876
Cash generated from operations	(2 567)	261 541
Finance income	5 583	1 968
Finance costs	(6 025)	(324)
Income tax paid	(20 941)	(28 309)
Cash flow from investing activities	518 631	(225 935)
Property, plant and equipment acquired	(9 979)	(42 506)
Intangible assets acquired	(86 681)	(168 919)
Proceeds on disposal of property, plant and equipment	2 863	2 120
Acquisition of subsidiaries and businesses	-	(4 376)
Cash received/(forfeited) on disposal of subsidiaries and businesses	596 191	(13 765)
Loans receivable repaid	16 237	1 511
Cash flow from financing activities	(396 447)	(60 972)
Treasury shares repurchased	(15 794)	(544)
Other financial liabilities repaid	(31 147)	(4 625)
Other financial liabilities raised	-	31 960
Deferred vendor payments repaid	(2 959)	(19 497)
Dividends paid to non-controlling interest	(2 755)	(5 332)
Dividends paid	(343 792)	(62 934)
(Decrease)/Increase in cash and cash equivalents	98 234	(52 031)
Cash and cash equivalents included in assets held for sale	-	(19 057)
Cash and cash equivalents at the beginning of the year	(79 108)	(8 020)
Cash and cash equivalents at the end of the year	19 126	(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	-	-	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)
Treasury shares purchased	(538)	-	-	-	(538)
Share-based payment transactions	4 023	433	1 625	-	6 081
Disposal of subsidiaries	-	(1 730)	-	(24 238)	(25 968)
Balance at 31 March 2018	295 937	7 114	650 059	98 339	1 051 449
Adjustment on initial application of IFRS 9 and IFRS 15 net of taxes	-	-	(2 320)	-	(2 320)
Balance at 1 April 2018 as adjusted	295 937	7 114	647 739	98 339	1 049 129
Profit for the year	-	-	151 233	6 915	158 148
Other comprehensive income					
Foreign currency translation differences	-	(35)	-	-	(35)
Transactions with owners, recorded directly in equity					
Dividends paid	-	-	(343 792)	(2 755)	(346 547)
Share-based payment transactions	229	(1 211)	812	-	(170)
Disposal of subsidiaries	-	2 785	-	(57 075)	(54 290)
Treasury shares purchased	(15 794)	-	-	-	(15 794)
Balance at 31 March 2019	280 372	8 653	455 992	45 424	790 441

NOTES TO THE GROUP FINANCIAL INFORMATION

1. Basis of preparation

These provisional condensed annual consolidated financial statements for the year ended 31 March 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 ("JSE") 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 Pierre van Eeden, 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 2018 other than the adoption of the new standards disclosed in note 4.

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. New standards implemented

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

- IFRS 9 Financial Instruments (IFRS 9); and
- IFRS 15 Revenue from contracts with customers (IFRS 15).

The changes in accounting policies were applied in accordance with the modified retrospective approach.

Adoption of IFRS 9

IFRS 9 was issued by the IASB in July 2014 and is effective for accounting periods beginning on or after 1 January 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and introduces new requirements for:

- 1) the classification of financial assets and financial liabilities;
- 2) the impairment of financial accounting; and
- 3) general hedge accounting.

The group has adopted the modified retrospective approach in applying IFRS 9 whereby no comparative figures are restated but instead, a cumulative catch – up adjustments is recognised, if necessary, in opening retained earnings.

Classification, measurement and derecognition

There has been no change in the classification of the group's financial assets and financial liabilities.

Impairment model

IFRS 9 introduces an expected credit loss model ("ECL") as opposed to an incurred credit loss approach in recognising any impairment of financial assets. The expected credit loss model requires the group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Effect of adopting IFRS 9

Figures displayed in R'000	1 April 2018	Recognition of ECL	Adjusted balance 1 April 2018
Trade and other receivables	295 571	(3 222)	293 251
Deferred tax	(41 591)	902	(42 943)
Retained earnings	(650 059)	2320	(647 739)

Adoption of IFRS 15

The group adopted the new standard of recognising revenue from contracts with customers, effective for years beginning 1 January 2018. This standard combines, enhances and replaces specific guidance on recognising revenue from contracts with customers with a single standard. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under

IFRS 15, revenue is recognised at an amount that reflects the new five step-model to recognise revenue from customers contracts, which requires:

- the identification of the contract with customers;
- identify the performance obligation in the contract;
- determining the transaction price;
- allocating the transaction price to the performance obligation; and
- recognising the revenue as the performance obligation has been met.

Effect of adopting IFRS15

The group undertook a review of the main types of commercial arrangements used with customers under this model and has concluded that the application of IFRS 15 has not resulted in a material impact for the year ended 31 March 2019. Consequently the opening retained earnings balance has not been adjusted.

5. Business combinations

Sharepoint Garage Proprietary Limited (“Sharepoint Garage”)

On 1 October 2018, the group acquired 100% of the intellectual property and assumed identified liabilities in the form of deferred vendor payments of Sharepoint Garage for a consideration of R1.168 million. Goodwill to the value of R1.168 million was accounted for.

Sharepoint Garage specialises in the implementation of bespoke solutions encompassing the entire Microsoft suite of products, with special focus on integrated business intelligence and analytics solutions, together with complex Microsoft Sharepoint migrations.

6. Disposal of subsidiaries

NOSA Group - Testing inspection and certification services segment

On 3 April 2018, the group disposed of its interests in the NOSA Group of companies for a consideration of R625.7 million, which resulted in a loss of control. This event resulted in the derecognition of net assets of R373.9 million, which is included in the profit on disposal of R306 million.

7. Commitments and contingencies

Audited	Audited
12 months	12 months
ended	ended
31 March	31 March
2019	2018
R'000	R'000

Operating lease commitments

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

Not later than one year	19 744	16 257
Later than one year and not later than five years	20 709	49 583
Later than five years	-	741
	40 453	66 581

Capital commitments

There was 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 2019 R'000	Audited 12 months ended 31 March 2018 R'000
SEGMENT REVENUE		
Water technologies	210 900	226 339
ICT consulting	322 963	251 309
Software solutions	72 956	203 450
ICT support services	184 759	148 787
Holdings and consolidated	(39 669)	(31 928)
Total revenue	751 909	797 957
SEGMENT PROFIT / (LOSS)		
Water technologies	2 526	10 438
ICT consulting	11 068	12 027
Software solutions	18 236	74 052
ICT support services	10 564	11 897
Holdings and consolidated	109 037	(24 619)
Total profit	151 431	83 795
SEGMENT ASSETS		
Water technologies	217 916	283 679
ICT consulting	187 493	188 564
Software solutions	627 621	503 851
ICT support services	47 392	62 595
Holdings and consolidated	38 365	561 893
Total assets	1 118 787	1 600 582
SEGMENT LIABILITIES		
Water technologies	120 534	166 076
ICT consulting	166 181	56 788
Software solutions	268 720	272 439
ICT support services	13 356	26 053
Holdings and consolidated	(240 845)	27 777
Total liabilities	327 946	549 133
9. Revenue from contracts with customers		
Sale of goods	247 188	296 478
Services	504 721	501 479
	751 909	797 957

Disaggregation of revenue

Major product lines over a point in time

Software license with support and maintenance	54 755	70 691
	54 755	70 691
Major product lines over a point in time		
Consulting	208 084	201 931
Support services	241 882	228 857
Goods	247 188	296 478
	697 154	727 266
Total revenue from contracts with customers	751 909	797 957

The table set out below reflects the amount of revenue recognised in the current reporting period relating to carried forward contract liabilities and the amount relating to performance obligations that were previously satisfied.

Opening balance	8 449
Movement for the year	2 042
Closing balance	10 491

At the beginning of the year, R8.4 million was recognised as a contract liability. The total amount was recognised as revenue during the current year due to the short-term nature of the contracts entered into. The closing balance represents new contracts entered into where performance obligations had not yet been met at year-end. The contract liability will be recognised as revenue in the next financial year.

10. Related party disclosure

Listed below are the balances in respect of transactions entered into with related parties. 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 2019 R'000	Audited 12 months ended 31 March 2018 R'000
Kyostax Proprietary Limited		
Associate		
Rental expense	17 058	15 718
Other financial assets	4 640	4 640
Kamberg Investment Holdings Proprietary Limited		
Trade receivables	-	104
Shareholders for dividend	-	1 370
Interest paid	846	298
Laird Investments Proprietary Limited		

Shareholders for dividend	-	26 934
Interest paid	3 079	2 641
Talacar Holdings Proprietary Limited		
Consulting fees	2 538	2 538

11. 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.

The following changes to the board occurred during the year under review:

- 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 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.
- Reagan Smith was appointed as the Company Secretary with effect from 1 November 2018.

12. Subsequent events

On 31 May 2019, the group disposed of its' 50% interest in Mubesko Africa Proprietary Limited for a consideration of R43.1 million. The decision was taken by the board to focus its energy on the internal accounting and professional services housed within the consulting segment, which is 100% owned.

On 6 May 2019, the group acquired the balance of the minority shareholding (17%) in USC Metering Proprietary Limited for a consideration of R20 million.

13. Commentary on results

During the year under review, Sebata was restructured to become solely a provider of proprietary technology-based solutions and services aligned to four distinct operating divisions. These operating divisions have been classified under continuing operations and disclosed in the segmental reporting note. Given the tough market conditions and volatile political landscape within which we have been operating, the investment made in the Software Solutions division and the slower than expected uptake of these solutions within Local Government, the performance of the group has not been where we anticipated it to be. While EPS from continuing operations of 131.93 cents reflected an 80% increase from 73.37 cents as at 31 March 2018, this is distorted by the profit recognised on the sale of the NOSA Group. The decrease of 142% in the HEPS from continuing operations from 72.13 cents as at 31 March 2018 to -30.19 cents reflects such distribution. The decrease in continued HEPS is a direct result of the following:

- A key municipal client failing to pay approximately R88 million that is due to the company. While management is confident that the funds will be received, the board has decided to exclude this amount from the period's earnings due to the prolonged difficulty in receiving payment;
- As a result of the investment into the software division for the development of the ERP solution for Local Government having been completed and the system implemented, amortisation of R21 million has been expensed in the current period; and
- Tough trading conditions within the Local Government sector due to the election year. It has been the board's experience that Government spending typically slows in the year of an election due to the uncertainty associated with the outcome.

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.

With the elections behind us and more certainty having been established in the market, the board expects increased spending from Local Government. We have already seen positive signs of this increase within the Water Technologies Division and we expect this sentiment to flow through to the other segments of the business as well. The Water Technologies division continues to perform well as the demand for our water management devices and solutions grows both locally and internationally. With

improved sentiment towards Government, we expect that the investment made in the Software Solutions division will bear fruit, and with a superior product and reduced competition, we expect strong returns from this division.

Additionally, the board is actively seeking to address its current empowerment credentials, which are essential in the sector in which Sebata operates.

Financial Results

Revenue decreased by 5.8% compared to the prior comparative period. This is as a direct result of the aforementioned tough trading environment. The increased cost base resulting from the divisional restructuring added further pressure to the bottom line. However, these were deemed to be essential one-off costs. The board, however is confident that with the new rationalised and restructured business, the elections being behind us and with more certainty in the market that the Group will be able to generate the expected returns for shareholders in the next financial year.

Dividends

Aside from the special dividend of 300 cents per share declared in April 2018, no dividend has been declared for the 2019 financial year (FY2018: Nil). Although it has been previously communicated and anticipated that there would be a further dividend of 100cents per share declared in line with the disposal of the NOSA group companies, the ongoing dispute around the final purchase price with the purchasers and the current results have left the board with no alternative but to delay this dividend.

By order of the board

28 June 2019

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 has been reviewed or reported on by Sebata's auditors.