

**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 2017**

**CONDENSED GROUP STATEMENT OF PROFIT AND LOSS**

	<b>Audited</b> <b>31 March</b> <b>2017</b> <b>R'000</b>	<b>Audited</b> <b>31 March</b> <b>2016</b> <b>R'000</b>
Revenue	1 357 129	1 193 921
Cost of sales	(654 192)	(619 783)
<b>Gross profit</b>	<b>702 937</b>	<b>574 138</b>
Other net income/(expenses)	6 300	22 773
Distribution expenses	(5 400)	(7 384)
Administration expenses	(433 388)	(374 779)
<b>Results from operations</b>	<b>270 449</b>	<b>214 748</b>
Finance income	2 140	3 279
Finance cost	(3 543)	(5 245)
Share of profit of equity accounted associate	1 902	1 811
<b>Profit before tax</b>	<b>270 948</b>	<b>214 593</b>
Tax expense	(55 775)	(55 856)
<b>Profit for the year</b>	<b>215 173</b>	<b>158 737</b>
<b>Profit attributable to:</b>		
Owners of the parent	176 836	145 433
Non-controlling interest	38 337	13 304
	<b>215 173</b>	<b>158 737</b>
<b>Attributable earnings per share (cents)</b>		
Basic	155.59	129.64
Diluted basic	154.58	126.07
Headline	157.76	123.43
Diluted headline	156.74	120.03

**CONDENSED GROUP STATEMENT OF OTHER COMPREHENSIVE INCOME**

	<b>Audited</b> <b>31 March</b> <b>2017</b> <b>R'000</b>	<b>Audited</b> <b>31 March</b> <b>2016</b> <b>R'000</b>
Profit for the year	215 173	158 737
Other comprehensive income:		
Foreign currency translation differences	(5 667)	3 347
	<b>209 506</b>	<b>162 084</b>

<b>Total comprehensive income attributable to:</b>		
Owners of the parent	171 169	148 780
Non-controlling interest	38 337	13 304
	<b>209 506</b>	<b>162 084</b>
<b>Reconciliation of headline earnings:</b>		
Profit attributable to owners of the parent	176 836	145 433
Loss/(profit) on disposal of property, plant and equipment	(1 440)	116
Loss/(profit) on disposal of investment in subsidiaries	3 906	(7 365)
Loss on disposal of investments	-	283
<b>Headline earnings</b>	<b>179 302</b>	<b>138 467</b>
Weighted average number of shares (000s)	113 656	112 185
Diluted weighted average number of shares (000s)	114 394	115 360
Total number of shares in issue (000s)	114 211	112 833

## CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

	<b>Audited As at 31 March 2017 R'000</b>	<b>Audited As at 31 March 2016 R'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>838 151</b>	<b>691 877</b>
Property, plant and equipment	59 677	53 558
Intangible assets	735 664	581 276
Investments in associates	15 550	13 648
Other financial assets	-	5 063
Deferred tax assets	27 260	38 332
<b>Current assets</b>	<b>516 433</b>	<b>440 440</b>
Inventories	44 777	41 851
Trade and other receivables	409 018	300 563
Income tax receivable	5 806	6 575
Other financial assets	6 288	2 024
Cash and cash equivalents	50 544	89 427
<b>TOTAL ASSETS</b>	<b>1 354 584</b>	<b>1 132 317</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>	<b>948 790</b>	<b>766 508</b>
Share capital and share premium	292 452	266 852
Other reserves	6 909	12 333
Retained earnings	534 917	411 651
Non-controlling interest	114 512	75 672
<b>LIABILITIES</b>		

<b>Non-current liabilities</b>	<b>103 378</b>	<b>103 991</b>
Other financial liabilities	4 359	4 998
Deferred vendor payments	7 126	27 343
Deferred tax liabilities	91 893	71 650
<b>Current liabilities</b>	<b>302 416</b>	<b>261 818</b>
Trade and other payables	202 016	161 646
Other financial liabilities	2 795	3 347
Income tax payable	6 397	11 879
Deferred vendor payments	32 644	35 409
Bank overdraft	58 564	49 537
<b>TOTAL LIABILITIES</b>	<b>405 794</b>	<b>365 809</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 354 584</b>	<b>1 132 317</b>
Net asset value per share (cents)	730.47	624.20
Net tangible asset value per share (cents)	86.34	109.07

#### CONDENSED GROUP STATEMENT OF CASH FLOW

	<b>Audited</b>	<b>Audited</b>
	<b>31 March</b>	<b>31 March</b>
	<b>2017</b>	<b>2016</b>
	<b>R'000</b>	<b>R'000</b>
<b>Cash flow from operating activities</b>	<b>187 477</b>	<b>126 446</b>
Cash generated from operations	216 994	152 491
Finance income	2 140	3 279
Finance costs	(1 475)	(1 965)
Income tax paid	(30 182)	(27 359)
<b>Cash flow from investing activities</b>	<b>(165 278)</b>	<b>(130 294)</b>
Property, plant and equipment acquired	(19 938)	(16 749)
Intangible assets acquired	(158 197)	(106 574)
Proceeds on disposal of property, plant and equipment	3 918	4 266
Acquisition of subsidiaries and businesses	(6 750)	(15 117)
Acquisition of non-controlling interest without a change in control	(2 128)	(7 793)
Proceeds on disposal of subsidiaries	17 018	2 869
Loans receivable repaid	799	8 804
<b>Cash flow from financing activities</b>	<b>(70 109)</b>	<b>(104 147)</b>
Treasury shares repurchased	(10 841)	(12 029)
Other financial liabilities repaid	(5 035)	(4 161)
Deferred vendor payments repaid	(1 607)	(38 471)
Dividends paid to non-controlling interest	(3 139)	(9 266)
Dividends paid	(49 487)	(40 220)
<b>(Decrease)\Increase in cash and cash equivalents</b>	<b>(47 910)</b>	<b>(107 995)</b>

Cash and cash equivalents at the beginning of the year	39 890	147 885
<b>Cash and cash equivalents at the end of the year</b>	<b>(8 020)</b>	<b>39 890</b>

## 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 2015	266 203	6 261	330 218	68 991	671 673
Profit for the year	-	-	145 433	13 304	158 737
Other comprehensive income	-	3 347	-	-	3 347
Transactions with owners, recorded directly in equity	649	2 725	(39 138)	(5 901)	(41 665)
Changes in ownership interest in subsidiaries without a change in control	-	-	(24 862)	(722)	(25 584)
Balance at 31 March 2016	<b>266 852</b>	<b>12 333</b>	<b>411 651</b>	<b>75 672</b>	<b>766 508</b>
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	-	(5 667)	-	-	(5 667)
Transactions with owners, recorded directly in equity	25 600	243	(47 717)	(3 139)	(25 013)
Changes in ownership interest in subsidiaries	-	-	(5 853)	3 642	(2 211)
Balance at 31 March 2017	<b>292 452</b>	<b>6 909</b>	<b>534 917</b>	<b>114 512</b>	<b>948 790</b>

## NOTES TO THE GROUP FINANCIAL INFORMATION

### 1. Basis of preparation

These provisional condensed annual consolidated results for the year ended 31 March 2017 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 audited condensed annual consolidated financial results 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 provisional condensed annual consolidated financial results 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 2016.

## 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

### *The CSIR*

On 16 September 2016, the group acquired the CSIR Food and Beverage Laboratories for a consideration of R6.8 million. Goodwill to the value of R4.8 million was accounted for. The amount of net assets acquired amounted to R2.0 million. The CSIR Food and Beverage Laboratories business has been incorporated into Aspirata Testing and Certification Services Proprietary Limited.

## 5. Disposal of subsidiaries

### *MECS Africa Proprietary Limited and MECS Growth Proprietary Limited ("MECS")*

On 31 January 2017, the group disposed of its 100% interest in MECS Africa Proprietary Limited for a consideration of R16.5 million, which resulted in a loss of control of MECS Africa Proprietary Limited. This event resulted in a loss of R6.6 million recorded in profit and loss.

### *MICROmega Securities Proprietary Limited*

On 31 January 2017, the group disposed of its 100% interest in MICROmega Securities Proprietary Limited for a consideration of R22.1 million, which resulted in a loss of control of MICROmega Securities Proprietary Limited. This event resulted in a profit of R6.6 million recorded in profit and loss.

### *SAICMB Proprietary Limited (Australia)*

On 31 January 2017 the group disposed of its 50% interest in SAICMB Australia Proprietary Limited for a consideration of R2.9 million, which resulted in a loss of control of SAICMB Australia Proprietary Limited. This event resulted in a loss of R1.1 million recorded in profit and loss and the re-cycling of R0.6 million to non-controlling interest in equity.

## 6. Segment information

	<b>Audited 31 March 2017 R'000</b>	<b>Audited 31 March 2016 R'000</b>
<b>SEGMENT REVENUE</b>		
Testing inspection and certification services	563 441	452 594
Labour supply	116 921	217 726
Information technology	649 607	494 221
Financial services	46 681	46 821
Holdings and consolidated	(19 521)	(17 441)
<b>Total revenue</b>	<b>1 357 129</b>	<b>1 193 921</b>
<b>SEGMENT PROFIT / (LOSS)</b>		
Testing inspection and certification services	89 051	72 582
Labour supply	4 055	4 057
Information technology	118 859	87 184

Financial services	7 312	8 176
Holdings and consolidated	(42 441)	(26 566)
<b>Total profit</b>	<b>176 836</b>	<b>145 433</b>
<b>SEGMENT ASSETS</b>		
Testing inspection and certification services	550 024	406 843
Labour supply	-	59 535
Information technology	739 916	421 999
Financial services	-	52 048
Holdings and consolidated	64 644	191 892
<b>Total assets</b>	<b>1 354 584</b>	<b>1 132 317</b>

## 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.

	<b>Audited</b>	<b>Audited</b>
	<b>31 March</b>	<b>31 March</b>
	<b>2017</b>	<b>2016</b>
	<b>R'000</b>	<b>R'000</b>
<b>Kyostax Proprietary Limited</b>		
Associate		
Revenue	14 804	14 320
Other financial assets	5 640	5 640
<b>GFI Securities Nyon SARL</b>		
<i>Joint operation</i>		
Revenue	23 119	13 046
Trade receivables	-	9 236
<b>Kamberg Investment Holdings Proprietary Limited</b>		
Trade receivables	5 176	5 176

## 8. Corporate Governance and changes to the board of directors of MICROmega ("board")

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

Deborah Di Siena was appointed as Independent Non-Executive Chairperson and resigned as Chairperson of the Audit Committee with effect from 31 March 2017.

Russell Dick was appointed as Group Chief Operations Officer and resigned as Group Financial Director on 31 March 2017.

Cornelia Kemp was appointed as Group Financial Director on 31 March 2017.

Craig King was appointed as Group Director – Strategic Finance on 31 March 2017.

Duncan Carlisle resigned as Executive Director on 31 March 2017.

Dave King resigned as Executive Chairperson on 31 March 2017.

## **9. Subsequent events**

On 1 May 2017, the group acquired the Occupational Hygiene and Occupational Health and Safety Divisions from LexisNexis Legal and Professional for a consideration of R3 million.

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

## **10. Commentary on results**

The results for the year were pleasing given the ongoing difficulties that the South African economy continues to endure. It is noteworthy that the growth in headline earnings is largely organic, with the exception of a minor contribution in respect of the acquisition of the food and beverage certification laboratories from the CSIR in September 2016.

The resilience of our business model, whereby we develop and own our intellectual property (IP), has again proved itself capable of delivering well above market growth in earnings and dividends for our shareholders. We have stressed the importance of this in prior years and it is pleasing to continue to deliver on this expectation.

Prior to year-end, we disposed of the two businesses that have, in recent years, been unable to contribute to the overall growth of the group, being the financial broking and the labour broking businesses. Our decision to divest from these businesses, secured the release of working capital that can be better deployed in our higher growth assets. This will have a positive impact on all our ratios in the present financial year.

The group now operates in four distinct sectors:

- Testing, inspection and certification services (NOSA);
- Education and training (NOSA and TTRO);
- Information technology and software (Sebata, Turrito, Dial a Nerd); and
- Water management technology (USC, Amanzi).

The year under review was particularly significant for Sebata as it invested a further R138m to upgrade its proprietary enterprise software. This was done to meet the mSCOA demands placed on local authorities by central government and to simultaneously ensure that the software could meet the needs of the larger metropolitans. The traditional customer base of Sebata had been the small to mid-size local authorities. This increased investment proved its worth when Sebata secured the contract for Nelson Mandela Bay Metro against strong opposition from SAP software. A number of other local authorities were gained from competitors during the year and Sebata is now the leading provider of enterprise software to local authorities in South Africa with a number of exciting opportunities for the present year.

USC's proprietary water management technology also had a breakthrough year with regard to its market acceptance, both locally and internationally. In addition to an increased presence in South Africa, USC has received orders from Zambia, Zimbabwe, Brunei, the Solomon Islands and the UAE. Excitingly, proof of concepts are being implemented in Mexico, Colombia, the USA, Brazil, Tanzania, Nigeria and Djibouti. The opportunities that the international marketplace provides for our proven South African developed technology in assisting with the global water crisis are significant.

Our NOSA businesses were unable to continue with the growth pattern experienced over the last decade as the South African economy continued to stagnate. In recognition of the likelihood that this will continue in the present year, it was deemed appropriate to take some of the cost out of the businesses, while simultaneously using our strong brands to exploit additional markets. The benefit of this should be felt in the coming year.

TTRO had a strong year as a result of a significant contract in Saudi Arabia and we believe that its leading role in digitising services for the education sector will continue to provide growth opportunities in South Africa and internationally.

Whilst we believe that all business sectors will contribute above average growth in the present year, we anticipate higher levels of growth from our information technology and our water management technology businesses.

The board has elected to increase the cash dividend from 43 cents per share in the previous financial year to 55 cents per share for the current financial year, in line with our growth in headline earnings.

## 11. Cash dividend

Notice is hereby given that the directors have declared a final gross cash dividend of 55 cents per share for the financial year ended 31 March 2017, which is adjusted for withholding tax. The final dividend has not been included as a liability in these provisional condensed annual consolidated financial statements as it was declared subsequent to year end.

The final dividend for the year ended 31 March 2017 is payable to all shareholders on the Register of Members on Thursday, 15 June 2017. In terms of the dividends tax, effective 1 April 2012, the following additional information is disclosed:

- this is a dividend as defined in the Income Tax Act, 1962;
- the local dividend tax rate is 20%;
- the dividends will be payable from income reserves;
- the dividend tax to be withheld by the company amounts to 11 cents per share;
- therefore the net dividend payable to shareholders who are not exempt from dividends tax amounts to 44 cents per share, while the gross dividend payable to shareholders who are exempt from dividends tax amounts to 55 cents per share;
- the issued share capital of the company at the declaration date comprises 114 915 089 ordinary shares; and
- the group's income tax reference number is 9457/323/84/9.

The salient dates will be as follows:

Declaration date:	Thursday, 25 May 2017
Last day to trade:	Monday, 12 June 2017
Shares trade ex-dividend:	Tuesday, 13 June 2017
Record date:	Thursday, 15 June 2017
Payment date:	Monday, 19 June 2017

Share certificates may not be dematerialised or rematerialised between Tuesday, 13 June 2017 and Thursday, 15 June 2017, both days inclusive.

By order of the board

25 May 2017

Directors: DA Di Siena (Independent Non-Executive Chairperson); IG Morris (Chief Executive Officer); RB Dick (Chief Operations 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 have been reviewed or reported on by MICRO*mega*'s auditors.