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

REVIEWED CONDENSED CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

CONDENSED GROUP STATEMENT OF PROFIT AND LOSS

	Reviewed 6 months ended 30 September 2017 R'000	Unaudited 6 months ended* 30 September 2016 R'000	Audited 12 months ended* 31 March 2017 R'000
Continuing operations			
Revenue	376 368	410 387	808 176
Cost of sales	(159 783)	(223 754)	(418 029)
Gross profit	**216 585**	**186 633**	**390 147**
Other net income/(expenses)	26 265	5 842	6 824
Distribution expenses	(2 336)	(2 592)	(2 659)
Administration expenses	(175 532)	(124 397)	(267 871)
Results from operations	**64 982**	**65 486**	**126 441**
Finance income	886	594	1 816
Finance cost	(2 100)	(4 644)	(3 325)
Share of profit of equity accounted associate	159	881	1 902
Profit before tax	**63 927**	**62 317**	**126 834**
Tax expense	(10 687)	(14 150)	(30 781)
Profit for the period from continuing operations	**53 240**	**48 167**	**96 053**
Profit for the period from discontinued operations	**43 554**	**57 411**	**119 120**
Profit for the period	**96 794**	**105 578**	**215 173**
Profit attributable to:			
Owners of the parent - continuing	46 730	40 068	61 459
Owners of the parent - discontinued	41 465	44 791	115 377
Non-controlling interest – continuing	6 510	8 099	15 023
Non-controlling interest - discontinued	2 089	12 620	23 314
	96 794	**105 578**	**215 173**
Attributable earnings per share (cents)			
Basic	**77.22**	**75.08**	**155.59**
Continuing operations	40.92	35.45	54.08
Discontinued operations	36.30	39.63	101.51
Diluted basic	**76.80**	**73.55**	**154.58**
Continuing operations	40.70	34.73	53.73
Discontinued operations	36.10	38.82	100.85
Headline	**78.91**	**74.80**	**157.76**
Continuing operations	42.64	35.27	56.31
Discontinued operations	36.27	39.53	101.45

Diluted headline	**78.48**	**73.27**	**156.74**
Continuing operations	42.41	34.55	55.94
Discontinued operations	36.07	38.72	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

	Reviewed 6 months ended 30 September 2017 R'000	**Unaudited 6 months ended 30 September 2016 R'000**	**Audited 12 months ended 31 March 2017 R'000**
Profit for the year	96 794	105 578	215 173
Other comprehensive income:			
Foreign currency translation differences	2 424	3 660	(5 667)
	99 218	**109 238**	**209 506**
Total comprehensive income attributable to:			
Owners of the parent	90 619	88 519	171 169
Non-controlling interest	8 599	20 719	38 337
	99 218	**109 238**	**209 506**
Reconciliation of headline earnings (net of tax) :			
Profit attributable to owners of the parent	88 195	84 859	176 836
Loss/(profit) on disposal of property, plant and equipment	(345)	(324)	(1 440)
Loss/(profit) on disposal of investment in subsidiaries	2 269	-	3 906
Headline earnings	**90 119**	**84 535**	**179 302**
Weighted average number of shares (000s)	114 211	113 021	113 656
Diluted weighted average number of shares (000s)	114 830	115 379	114 394
Total number of shares in issue (000s)	114 211	113 439	114 211

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

	Reviewed As at 30 September 2017 R'000	**Unaudited As at 30 September 2016 R'000**	**Audited As at 31 March 2017 R'000**
ASSETS			
Non-current assets	**613 301**	**775 002**	**838 151**
Property, plant and equipment	34 983	55 279	59 677
Intangible assets	497 628	661 478	735 664
Investments in associates	50 709	14 529	15 550
Other financial assets	548	175	-

Deferred tax assets	29 433	43 541	27 260
Current assets	**439 848**	**515 615**	**516 433**
Inventories	64 740	42 347	44 777
Trade and other receivables	341 400	368 926	409 018
Income tax receivable	5 052	6 750	5 806
Other financial assets	5 638	6 535	6 288
Cash and cash equivalents	23 018	91 057	50 544
Assets held for sale	**484 306**	**-**	**-**
TOTAL ASSETS	**1 537 455**	**1 290 617**	**1 354 584**
EQUITY AND LIABILITIES			
EQUITY	**959 926**	**825 669**	**948 790**
Share capital and share premium	292 452	271 787	292 452
Other reserves	11 052	11 117	6 909
Retained earnings	560 740	448 083	534 917
Non-controlling interest	95 682	94 682	114 512
LIABILITIES			
Non-current liabilities	**72 788**	**105 142**	**103 378**
Other financial liabilities	3 241	5 998	4 359
Deferred vendor payments	13 670	19 607	7 126
Deferred tax liabilities	55 877	79 537	91 893
Current liabilities	**371 159**	**359 806**	**302 416**
Trade and other payables	217 453	239 303	202 016
Other financial liabilities	37 155	3 210	2 795
Income tax payable	5 686	21 974	6 397
Deferred vendor payments	21 537	26 741	32 644
Bank overdraft	89 328	68 578	58 564
Liabilities directly associated with assets held for sale	**133 582**	**-**	**-**
TOTAL LIABILITIES	**577 529**	**464 948**	**405 794**
TOTAL EQUITY AND LIABILITIES	**1 537 455**	**1 290 617**	**1 354 584**
Net asset value per share (cents)	756.71	644.39	730.47
Net tangible asset value per share (cents)	321.00	61.27	86.34

CONDENSED GROUP STATEMENT OF CASH FLOW

	Reviewed 6 months ended 30 September	Unaudited 6 months ended 30 September	Audited 12 months ended 31 March

	2017 R'000	2016 R'000	2017 R'000
Cash flow from operating activities	**105 020**	**127 353**	**187 477**
Cash generated from operations	120 552	146 417	216 994
Finance income	1 180	885	2 140
Finance costs	(926)	(1 351)	(1 475)
Income tax paid	(15 786)	(18 598)	(30 182)
Cash flow from investing activities	**(105 732)**	**(89 351)**	**(165 278)**
Property, plant and equipment acquired	(13 657)	(12 154)	(19 938)
Intangible assets acquired	(89 797)	(72 163)	(158 197)
Proceeds on disposal of property, plant and equipment	2 571	1 276	3 918
Acquisition of subsidiaries and businesses	(5 876)	(6 750)	(6 750)
Acquisition of non-controlling interest without a change in control	-	-	(2 128)
Proceeds on disposal of subsidiaries	925	-	17 018
Loans receivable repaid	102	440	799
Cash flow from financing activities	**(42 067)**	**(55 413)**	**(70 109)**
Treasury shares repurchased	-	(3 764)	(10 841)
Other financial liabilities repaid	(1 670)	(1 946)	(5 035)
Other financial liabilities advanced	31 960	-	-
Deferred vendor payments repaid	(6 794)	-	(1 607)
Dividends paid to non-controlling interest	(2 362)	(855)	(3 139)
Dividends paid	(63 201)	(48 848)	(49 487)
(Decrease)\Increase in cash and cash equivalents	**(42 779)**	**(17 411)**	**(47 910)**
Cash and cash equivalents at the beginning of the year	(8 020)	39 890	39 890
Cash and cash equivalents included in assets held for sale	(15 511)	-	-
Cash and cash equivalents at the end of the year	**(66 310)**	**22 479**	**(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	-	-	84 859	20 719	105 578
Other comprehensive income	-	3 660	-	-	3 660
Transactions with owners, recorded directly in equity	4 935	(4 876)	(48 006)	(1 709)	(49 656)
Changes in ownership interest in subsidiaries without a change in control	-	-	(421)	-	(421)
Balance at 30 September 2016	**271 787**	**11 117**	**448 083**	**94 682**	**825 669**
Balance at 1 October 2016	271 787	11 117	448 083	94 682	825 669

Profit for the year	-	-	91 977	17 618	109 595
Other comprehensive income	-	(9 327)	-	-	(9 327)
Transactions with owners, recorded directly in equity	20 665	5 119	289	(1 430)	24 643
Changes in ownership interest in subsidiaries without a change in control	-	-	(5 432)	3 642	(1 790)
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	-	-	88 195	8 599	96 794
Other comprehensive income	-	2 424	-	-	2 424
Transactions with owners, recorded directly in equity	-	1 719	(63 201)	(26 600)	(88 082)
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**

NOTES TO THE GROUP FINANCIAL INFORMATION

1. Basis of preparation

These reviewed condensed consolidated interim financial statements for the six months ended 30 September 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 reviewed condensed consolidated interim 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 reviewed condensed consolidated interim financial statements have been prepared under the supervision of Cornelia Kemp, 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 reviewed condensed consolidated interim 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. Review conclusion

A review has been performed on the condensed consolidated interim financial statements in terms of the JSE Limited Listings Requirements for inclusion in the circular relating to the disposal of the NOSA Group. These condensed consolidated interim financial statements for the period ended 30 September 2017 have been reviewed by Nexia SAB&T, who expressed an unmodified review conclusion. The review was performed in accordance with ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. Any reference to future financial performance included in this announcement has not been reviewed or reported on by the Group’s external auditors. A copy of the auditor’s review report is available for inspection at the company’s registered office together with the condensed consolidated interim financial statements identified in the auditor’s report.

4. Business combinations

IPES-Utility Management Systems Proprietary Limited (“UMS”)

On 1 April 2017, the group acquired UMS for a consideration of R42.3 million. Goodwill to the value of R35.2 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 of 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.

	Reviewed 6 months ended 30 September 2017 R'000	Unaudited 6 months ended 30 September 2016 R'000	Audited 12 months ended 31 March 2017 R'000
Revenue	238 623	230 125	439 304
Cost of sales	(94 770)	(91 626)	(185 845)
Gross profit	**143 853**	**138 499**	**253 459**
Other net income/(expenses)	3 882	(1 188)	(175)
Distribution expenses	(1 337)	(1 321)	(2 675)
Administration expenses	(87 808)	(88 733)	(146 586)
Results from operations	**58 590**	**47 257**	**104 023**
Finance income	294	290	312
Finance cost	(64)	(154)	(186)
Share of profit of equity accounted associate	-	-	-
Profit before tax	**58 820**	**47 393**	**104 149**
Tax expense	(15 266)	(12 654)	(24 971)
Profit from discontinued operations	**43 554**	**34 739**	**79 178**
Profit from discontinued operations attributable to:			
Owners of the parent	41 465	33 228	75 435
Non-controlling interest	2 089	1 511	3 743
	43 554	**34 739**	**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 30 September 2017 R'000
ASSETS	
Property, plant and equipment	30 829
Intangible assets	320 238

Deferred tax assets	3 203
Inventories	3 390
Trade and other receivables	111 135
Cash and cash equivalents	15 511
TOTAL ASSETS	**484 306**
LIABILITIES	
Deferred vendor payments	(2 000)
Deferred tax liabilities	(46 760)
Trade and other payables	(73 064)
Income tax payable	(6 768)
Current portion of deferred vendor payments	(4 990)
TOTAL LIABILITIES	**(133 582)**
NET ASSETS	**350 724**

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

	Reviewed 6 months ended 30 September 2017 R'000	**Unaudited 6 months ended 30 September 2016 R'000**	**Audited 12 months ended 31 March 2017 R'000**
Cash flow from operating activities	34 794	40 214	47 216
Cash flow from investing activities	(15 465)	(21 328)	(29 688)
Cash flow from financing activities	(4 786)	(5 208)	(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.

	Reviewed 6 months ended 30 September 2017 R'000	**Unaudited 6 months ended 30 September 2016 R'000**	**Audited 12 months ended 31 March 2017 R'000**
Revenue	-	56 594	109 649
Cost of sales	-	(13 748)	(50 318)
Gross profit	**-**	**42 846**	**59 331**
Other net income/(expenses)	-	(97)	(349)
Distribution expenses	-	(29)	(66)
Administration expenses	-	(15 301)	(18 931)
Results from operations	**-**	**27 419**	**39 985**
Finance income	-	1	12
Finance cost	-	(28)	(32)
Profit before tax	**-**	**27 392**	**39 965**

Tax expense	-	(4 720)	(23)
Profit from discontinued operations	**-**	**22 672**	**39 942**
Profit from discontinued operations attributable to:			
Owners of the parent	-	11 563	20 371
Non-controlling interest	-	11 109	19 571
	-	**22 672**	**39 942**

7. Commitments and contingencies

	Reviewed 6 months ended 30 September 2017 R'000	**Unaudited 6 months ended 30 September 2016 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	31 682	26 771	32 723
Later than one year and not later than five years	61 274	94 482	69 732
Later than five years	-	1 459	-
	92 956	**122 712**	**102 455**

Capital commitments

There were no capital expenditure contracted for at the reporting date which have not yet been incurred and recognized 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

	Reviewed 6 months ended 30 September 2017 R'000	**Unaudited 6 months ended 30 September 2016 R'000**	**Audited 12 months ended 31 March 2017 R'000**
SEGMENT REVENUE			
Testing inspection and certification services	3 491	1 107	14 427
Labour supply	-	74 225	116 921
Information technology	382 709	316 055	649 607
Financial services	-	29 364	46 681
Holdings and consolidated	(9 832)	(10 364)	(19 460)

Total revenue	**376 368**	**410 387**	**808 176**
SEGMENT PROFIT / (LOSS)			
Testing inspection and certification services	412	233	3 661
Labour supply	-	1 866	4 055
Information technology	55 968	54 401	118 859
Financial services	-	6 713	7 312
Holdings and consolidated	(9 650)	(23 145)	(72 428)
Total profit	**46 730**	**40 068**	**61 459**
SEGMENT ASSETS			
Testing inspection and certification services	480 891	448 967	550 024
Labour supply	-	41 717	-
Information technology	847 396	507 554	739 916
Financial services	-	18 609	-
Holdings and consolidated	209 168	273 770	64 644
Total assets	**1 537 455**	**1 290 617**	**1 354 584**
SEGMENT LIABILITIES			
Testing inspection and certification services	146 226	160 834	151 631
Labour supply	-	10 696	-
Information technology	476 002	240 983	416 757
Financial services	-	1 443	-
Holdings and consolidated	(44 699)	50 992	(162 594)
Total liabilities	**577 529**	**464 948**	**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.

	Reviewed 6 months ended 30 September 2017 R'000	**Unaudited 6 months ended 30 September 2016 R'000**	**Audited 12 months ended 31 March 2017 R'000**
Kyostax Proprietary Limited			
Associate			
Revenue	7 579	7 186	14 804
Other financial assets	4 640	5 640	5 640
GFI Securities Nyon SARL			
Joint operation			
Revenue	-	13 449	23 119

Trade receivables	-	7 605	-
Kamberg Investment Holdings Proprietary Limited			
Trade receivables	5 176	-	5 176

10. Corporate Governance and changes to the board of directors of MICRO*mega* ("board")
MICRO*mega* 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.

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
The Board previously announced our decision to dispose of businesses that no longer meet our growth expectations. This included our money broking business, labour broking business, online training business and the recent sale of the Nosa Group that will be shortly circulated to shareholders for final approval. We are satisfied that we created shareholder value through this trade sale which, together with the disposal of The Training Room Online and Profit Reform, gives us a complete exit from the occupational health and safety support services sector. We will henceforth focus exclusively on our faster growing technology assets.

A like-for-like comparison of the results to the prior period cannot be easily made. The disposed businesses contributed R18 million in attributable earnings for the prior period with a zero contribution in the present reported period. This earnings gap will be more than adequately replaced in future as we continue to redeploy our capital into our remaining technology businesses.

The Nosa Group, which is being held for disposal, contributed a 14% growth in earnings. This relatively modest growth is in line with the expectations we had at the start of the financial year.

Our core technology businesses had a curious and frustrating six months. The increased investment in our proprietary technology has delivered our market leader expectation. We are now the leader in South Africa in the provision of enterprise management software to local authorities and our smart water technology is also now proving to be the market leader that we anticipated.

The truly frustrating part is the present inability to take full advantage of this dominant market position. The failure of local authorities to find budget for essential services and to make payment even when budget is available has negatively affected many companies. We are no exception. Our ability to secure business and timeously convert our sales to cash remains challenging. This resulted in unanticipated delays in delivery pending comfort on payment. Despite this challenging environment we generated a growth of 20% in our enterprise management systems and support services businesses. We are working on alternative payment models that will allow this business to generate higher growth levels going forward.

Our major disappointment has been the impact of non-payment on our ability to deliver our smart water meter technology into a customer base that desperately wants and needs it. This business should have comfortably delivered strong growth to the end of September. Instead it delivered a decline of 56%. This decline was exacerbated by our decision, based on non-payment, to take back smart water technology sold in the last financial year and having to rework it to accommodate alternative client specifications. This was the correct decision to mitigate loss but cost us R8.3m in earnings. We are actively working on more creative funding solutions that will allow us to be paid in full while delaying the need for up-front payment from those local authorities who want our technology but cannot afford it from present revenue generation.

On a positive note, we can report that the Western Cape has adopted our smart water technology. We are in the process of expanding our production facilities to accommodate this and orders we are starting to receive from our Africa partners and agents in Europe and the Middle East. We believe that this business will be the Group's highest growth asset in the short to medium term.

The holding company's operating cost is distorted by the high rental we pay for our Sandton Head Office- especially after the relocation of Nosa staff to Centurion. This will be attended to next year.

We are now focusing exclusively on our technology businesses which have been strategically arranged to be leaders in the IoT space, leveraging off the technology "real estate" we achieve every time one of our smart water meters is adopted by a household.

We anticipate that our trading environment will remain tough for the foreseeable future. Hard work, innovation and high levels of commitment to customer service are vital if we are to continue to grow at the levels we demand.

By order of the board

14 December 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