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MICRO*mega* HOLDINGS LIMITED

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

THE
DIFFERENCE
IS IN THE
DETAIL

Index |

How we performed |

+21%
74.80 cents
Headline earnings per share

53%
from 49% to ↑
Gross Profit Margin

+21,4%
75,08 cents
Earnings per share

+24%
R697 million
Group Revenue

+17%
644.39 cents
Net Asset Value per share

+23%
R85 million
Attributable profit

Statement of Profit and Loss |

	Unaudited 6 months ended 30 September 2016 R'000	Unaudited 6 months ended 30 September 2015 R'000	Audited 12 months ended 31 March 2016 R'000
Revenue	697 106	564 372	1 193 921
Cost of sales	(329 128)	(288 670)	(619 783)
Gross profit	**367 978**	**275 702**	**574 138**
Other net income/(expenses)	4 557	8 018	22 773
Distribution expenses	(3 942)	(2 634)	(7 384)
Administration expenses	(228 431)	(174 755)	(374 779)
Results from operations	**140 162**	**106 331**	**214 748**
Finance income	885	2 050	3 279
Finance cost	(4 826)	(840)	(5 245)
Share of profit of equity accounted associate	881	762	1 811
Profit before tax	**137 102**	**108 303**	**214 593**
Tax expense	(31 524)	(30 595)	(55 856)
Profit for the period	**105 578**	**77 708**	**158 737**
Profit attributable to:			
Owners of the parent	84 859	69 067	145 433
Non-controlling interest	20 719	8 641	13 304
	105 578	**77 708**	**158 737**
Attributable earnings per share (cents)			
Basic	75.08	61.86	129.64
Diluted basic	73.55	60.98	126.07
Headline	74.80	61.81	123.43
Diluted headline	73.27	60.93	120.03

Statement of Comprehensive Income |

	Unaudited 6 month Ended 30 September 2016 R'000	Unaudited 6 month Ended 30 September 2015 R'000	Audited 6 month Ended 31 March 2016 R'000
Profit for the period	105 578	77 708	158 737
Other comprehensive income:			
Foreign currency translation differences	3 660	4 044	3 347
Total comprehensive income for the period	**109 238**	**81 752**	**162 084**
Total comprehensive income attributable to:			
Owners of the parent	88 519	73 111	148 780
Non-controlling interest	20 719	8 641	13 304
	109 238	**81 752**	**162 084**

Reconciliation of Headline Earnings |

	Unaudited 6 month Ended 30 September 2016 R'000	Unaudited 6 month Ended 30 September 2015 R'000	Audited 6 month Ended 31 March 2016 R'000
Reconciliation of headline earnings:			
Profit attributable to owners of the parent	84 859	69 067	145 433
Loss/(profit) on disposal of property, plant and equipment	(324)	(60)	116
Profit on disposal of investment in subsidiaries	-	-	(7 365)
Loss on disposal of investments	-	-	283
Headline earnings	**84 535**	**69 007**	**138 467**
Weighted average number of shares (000s)	113 021	111 646	112 185
Diluted weighted average number of shares (000s)	115 379	113 254	115 360
Total number of shares in issue (000s)	113 439	112 034	112 833

Statement of Financial Position |

	Unaudited As at 30 September 2016 R'000	Unaudited As at 30 September 2015 R'000	Audited As at 31 March 2016 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	55 279	68 091	53 558
Intangible assets	661 478	480 554	581 276
Investments in associates	14 529	12 600	13 648
Other investments	-	291	-
Other financial assets	175	704	5 063
Deferred tax assets	43 541	44 455	38 332
	775 002	**606 695**	**691 877**
Current assets			
Inventories	42 347	47 633	41 851
Trade and other receivables	368 926	257 214	300 563
Income tax receivable	6 750	4 375	6 575
Other financial assets	6 535	9 378	2 024
Cash and cash equivalents	91 057	92 389	89 427
	515 615	**410 989**	**440 440**
TOTAL ASSETS	**1 290 617**	**1 017 684**	**1 132 317**
EQUITY AND LIABILITIES			
EQUITY			
Share capital and share premium	271 787	270 792	266 852
Other reserves	11 117	11 983	12 333
Retained earnings	448 083	333 103	411 651
Non-controlling interest	94 682	69 548	75 672
	825 669	**685 426**	**766 508**
LIABILITIES			
Non-current liabilities			
Other financial liabilities	5 998	13 578	4 998
Deferred vendor payments	19 607	15 153	27 343
Deferred tax liabilities	79 537	44 936	71 650
	105 142	**73 667**	**103 991**
Current liabilities			
Trade and other payables	239 303	167 623	161 646
Other financial liabilities	3 210	4 201	3 347
Income tax payable	21 974	32 473	11 879
Deferred vendor payments	26 741	54 294	35 409
Bank overdraft	68 578	-	49 537
	359 806	**258 591**	**261 818**
TOTAL LIABILITIES	**464 948**	**332 258**	**365 809**
TOTAL EQUITY AND LIABILITIES	**1 290 617**	**1 017 684**	**1 132 317**
Net asset value per share (cents)	644.39	549.72	624.20
Net tangible asset value per share (cents)	61.27	120.79	109.07

Statement of Cash Flow |

	Unaudited 6 months ended 30 September 2016 R'000	Unaudited 6 months ended 30 September 2015 R'000	Audited 12 months ended 31 March 2016 R'000
Cash flow from operating activities excluding working capital changes	122 387	105 466	202 450
Movement in working capital	4 966	(33 696)	(76 004)
Cash flow from investing activities	(89 351)	(45 558)	(130 294)
Cash flow from financing activities	(55 413)	(81 708)	(104 147)
(Decrease) in cash and cash equivalents	**(17 411)**	**(55 496)**	**(107 995)**
Cash and cash equivalents at the beginning of the period	39 890	147 885	147 885
Cash and cash equivalents at the end of the period	**22 479**	**92 389**	**39 980**

Statement of Changes in Equity |

	Unaudited 6 months ended 30 September 2016 R'000	Unaudited 6 months ended 30 September 2015 R'000	Audited 12 months ended 31 March 2016 R'000
Balance at the beginning of the period	766 508	671 673	671 673
Profit for the period	105 578	77 708	158 737
Other comprehensive income	3 660	4 044	3 347
Transactions with owners, recorded directly in equity	(49 656)	(41 315)	(41 665)
Changes in ownership interest in subsidiaries	(421)	(26 684)	(25 584)
Balance at the end of the period	**825 669**	**685 426**	**766 508**

Notes to the Group Financial Information |

1. BASIS OF PREPARATION

These condensed consolidated financial statements for the six months ended 30 September 2016 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 condensed 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 condensed consolidated financial results have been prepared under the supervision of Russell Dick, 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 condensed 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. SEGMENT INFORMATION

	Unaudited 6 months ended 30 September 2016 R'000	Unaudited 6 months ended 30 September 2015 R'000	Audited 12 months ended 31 March 2016 R'000
SEGMENT REVENUE			
Occupational health and safety	287 826	223 554	452 594
Labour supply	74 225	99 197	217 726
Information technology	316 055	220 334	494 221
Financial services	29 364	20 739	46 821
Holdings and consolidated	(10 364)	538	(17 441)
Total revenue	**697 106**	**564 372**	**1 193 921**
SEGMENT PROFIT / (LOSS)			
Occupational health and safety	39 634	40 998	72 582
Labour supply	1 866	578	4 057
Information technology	54 401	34 588	87 184
Financial services	6 713	3 350	8 176
Holdings and consolidated	(17 755)	(10 447)	(26 566)
Total profit	**84 859**	**69 067**	**145 433**
SEGMENT ASSETS			
Occupational health and safety	448 967	377 349	406 843
Labour supply	41 717	45 459	59 535
Information technology	507 554	333 673	421 999
Financial services	18 609	56 107	52 048
Holdings and consolidated	273 770	205 096	191 892
Total assets	**1 290 617**	**1 017 684**	**1 132 317**

4. CORPORATE GOVERNANCE AND CHANGES TO THE BOARD OF DIRECTORS OD MICRO*mega* ("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.

5. SUBSEQUENT EVENTS

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

6. COMMENTARY ON INTERIM RESULTS

The financial and operating performance for the period under review is pleasing given the continuance of the poor economic conditions referred to in our recently published annual report.

This economic malaise directly affected our health & safety businesses due to the ongoing training needs of our large corporate clients, both public and private sector declining for the first time in 10 years. This was solely due to the reductions in employment that have been witnessed across most business sectors over the last 2 years. The resultant decline in high margin revenue was mitigated by our decision to add new products and services under our premium NOSA brand. Under the circumstances, the overall modest decline in profitability for these businesses is acceptable for the period under review, during which the new opportunities had to be introduced and integrated. Going forward, we expect our health and safety group to resume its historical growth pattern.

Our information technology businesses produced a growth in profitability of almost 60%. This performance would have been even more impressive if the local government elections had not delayed the receipt of new business until after the close of the reporting period. This particularly affected our proprietary software and our proprietary water technology businesses. There is no indication that the rapid growth in profitability of our technology businesses will not continue in the foreseeable future.

Our financial services businesses are a relatively small contributor to group profitability however, they performed exceptionally well with a growth in profitability of a little over 100%. This was mainly as a result of the financial market volatility caused by international concerns around the global economy, Brexit and the USA elections.

Our labour supply business is a high value, low margin business that has experienced a managed slow-down in its business due to our unwillingness to allocate further capital to this industry sector. Because of this reduction in activity, short-term profitability grew by over 200% off a very low base and it remains a minor contributor to group profit.

By order of the board

3 November 2016

Directors: DC King (Executive Chairman); IG Morris (Chief Executive Officer); RB Dick (Financial Director); DSE Carlisle (Executive Director); DA Di Siena (Independent Non–Executive Director); PH Duvenhage (Non-Executive Director); TW Hamill (Non–Executive Director); GE Jacobs (Independent Non–Executive Director); RC Lewin (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 MICROmega's auditors.

MICROmega
HOLDINGS LIMITED

Company Registration Number:
1998/003821/06
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ISIN: ZAE000034435

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