

SILVERBRIDGE HOLDINGS LIMITED
(INCORPORATED IN THE REPUBLIC OF SOUTH AFRICA)
(REGISTRATION NUMBER 1995/006315/06)
SHARE CODE: "SVB" ISIN: ZAE000086229
("SILVERBRIDGE" OR "THE GROUP" OR "THE COMPANY")

**AUDITED SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2019**

GROUP PROFILE

SilverBridge offers solutions that support the operations of companies offering financial products and services. We have experience in this area for more than 20 years. Our understanding of financial services processes helps our clients improve and simplify their business. We achieve this by implementing our software and by providing services related to the software. Our offerings are also offered as cloud solutions.

Exergy is our flagship platform that enables core back office policy administration in the life assurance and pension fund industry. The Exergy solution can be customised to suit the needs of a customer. The solution also extends to offer group scheme administration, as well as elements of medical and short-term insurance. This caters for clients wanting to offer a wider range of financial services products on a single platform.

Our software products and hosted services are rendered to our customers on a monthly basis.

AUDITED SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

		2019	2018
	Notes	R'000	R'000
Revenue from contracts with customers	1.5	87 696	94 881
Other income		274	274
Personnel expenses		(71 418)	(64 832)
Depreciation and amortisation		(2 287)	(1 424)
Professional fees paid for services		(4 953)	(5 571)
Other expenses		(14 052)	(15 133)
Expected credit loss expense		(3 683)	–
Results from operating activities		(8 423)	8 195
Finance income		492	492
(Loss)/Profit before income tax		(7 931)	8 687
Income tax		392	(2 781)
(Loss)/Profit and total comprehensive income for the year		(7 539)	5 906

Earnings per share

Number of shares in issue ('000)	1.3	34 781	34 781
Weighted average number of shares in issue ('000)	1.3	29 170	29 000
Diluted weighted average number of shares ('000)	1.3	29 170	29 745
Basic earnings per share	1.3	(25.85)	20.37
Diluted earnings per share	1.3	(25.85)	19.86

AUDITED SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Notes	2019 R'000	2018 R'000
ASSETS			
Non-current assets		26 189	26 725
Equipment		1 513	2 285
Intangible assets and goodwill		19 874	21 173
Deferred tax assets		2 850	2 742
Withholding tax rebates receivable		1 952	525
Current assets		31 085	38 728
Withholding tax rebates receivable		6	989
Income tax receivable		19	1 125
Contract assets	1.4	4 342	6 948
Trade and other receivables		19 674	16 137
Cash and cash equivalents		7 044	13 529
Total assets		57 274	65 453
EQUITY AND LIABILITIES			
Equity		47 194	55 126
Share capital		348	348
Share premium		11 871	11 871
Treasury shares		(9 010)	(10 476)
Share based payment reserve		3 465	3 643
Retained earnings		40 520	49 740
Non-current liabilities		3 061	3 775
Deferred tax liabilities		3 061	3 775
Current liabilities		7 019	6 552
Income tax payable		55	18
Trade and other payables	1.2	5 802	5 589
Contract liabilities	1.4	1 162	945
Total liabilities		10 080	10 327
Total equity and liabilities		57 274	65 453
Net asset value per share (cents)	1.6	161.79	190.09
Net tangible asset value per share (cents)	1.6	93.66	117.08

**AUDITED SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED
30 JUNE 2019**

	Share capital R'000	Share premium R'000	Treasury shares R'000	Share based payment reserve R'000	Retained earnings R'000	Total equity R'000
Balance at 30 June 2017	348	11 871	(11 362)	2 453	46 038	49 348
Total comprehensive income for the year						
Profit for the year	–	–	–	–	5 906	5 906
Total comprehensive income for the year	–	–	–	–	5 906	5 906
Transactions with owners, recorded directly in equity:						
Dividend paid	–	–	–	–	(2 204)	(2 204)
Repayment of share ownership programme loans	–	–	886	–	–	886
Equity settled share based payment	–	–	–	1 190	–	1 190
Total transactions with owners, recorded directly in equity:	–	–	886	1 190	(2 204)	(128)
Balance at 30 June 2018	348	11 871	(10 476)	3 643	49 740	55 126
Impact of initial adoption of IFRS 15	–	–	–	–	(31)	(31)
Restated opening balance at 1 July 2018	348	11 871	(10 476)	3643	49 709	55 095
Loss for the year	–	–	–	–	(7 539)	(7 539)
Total comprehensive loss for the year	–	–	–	–	(7 539)	(7 539)
Transactions with owners, recorded directly in equity:						
Dividend paid	–	–	–	–	(1 650)	(1 650)
Shares awarded under the share ownership programme	–	–	499	–	–	499
Repayment of share ownership programme loans	–	–	707	–	–	707
Share options exercised by employees	–	–	260	(459)	–	(199)
Equity settled share based payment	–	–	–	281	–	281
Total transactions with owners, recorded directly in equity:	–	–	1 466	(178)	(1 650)	(362)
Balance at 30 June 2019	348	11 871	(9 010)	3 465	(40 520)	47 194

AUDITED SUMMARY CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	2019	2018
	R'000	R'000
Cash (used in)/generated from operations	(6 818)	9 263
Interest received	492	492
Taxation received/(paid)	713	(350)
Net cash (used in)/inflow from operating activities	(5 613)	9 405
Cash flows from investing activities		
Equipment acquired to maintain operations	(285)	(615)
Proceeds from sale of equipment	56	14
Cash outflow from capitalisation of development costs	–	(5 504)
Net cash used in investing activities	(229)	(6 105)
Cash flows from financing activities		
Proceeds from shares awarded under the share ownership programme	499	–
Buy-back of treasury shares	(199)	–
Proceeds received from repayment of share ownership programme loans	707	886
Dividend paid	(1 650)	(2 204)
Net cash outflow from financing activities	(643)	(1 318)
Net increase/(decrease) in cash and cash equivalents	(6 485)	1 982
Cash and cash equivalents at the beginning of the year	13 529	11 547
Cash and cash equivalents at the end of the year	7 044	13 529

AUDITED SUMMARY CONSOLIDATED SEGMENT REPORTS FOR THE YEAR ENDED 30 JUNE 2019

OPERATING SEGMENTS

	Imple- mentation services	Support services (excluding maintenance)	Hosting and outsourcing services	Rental and maintenance	Research and development	Total
2019	R'000	R'000	R'000	R'000	R'000	R'000
Revenue from implementations services, support services and hosting and outsourcing services recognised over time	1 868	37 416	4 910	–	–	44 194
Revenue from software rental recognised at a point in time	–	–	–	45 119	–	45 119
Segment revenue inter-group	–	(1 475)	–	(142)	–	(1 617)
Segment revenue external	1 868	35 941	4 910	44 977	–	87 696
Direct segment cost	(1 155)	(28 086)	(5 312)	(7 588)	(8 076)	(50 217)
Segment gross profit	713	7 855	(402)	37 389	(8 076)	37 479
Indirect segment cost	(4 913)	(15 900)	(1 518)	(5 819)	(14 069)	(42 219)
Provision for expected credit loss on debtors not credit impaired	(3)	(10)	(1)	(4)	(8)	(26)
Provision for expected credit loss on debtors credit impaired	(100)	(1 333)	–	(2 224)	–	(3 657)
Segment profit/(loss)	(4 303)	(9 388)	(1 921)	29 342	(22 153)	(8 423)
Finance income						492
Income tax						392
Loss for the year						(7 539)

	Imple- mentation services	Support services (excluding maintenance)	Hosting and outsourcing services	Rental and maintenance	Research and development	Total
2018	R'000	R'000	R'000	R'000	R'000	R'000
Segment revenue	10 250	37 774	5 137	43 186	–	96 347
Segment revenue inter- group	(157)	(1 309)	–	–	–	(1 466)
Segment revenue external	10 093	36 465	5 137	43 186	–	94 881
Direct segment cost	(5 612)	(23 236)	(3 411)	(6 522)	(11 083)	(49 864)
Cost capitalised	–	–	–	–	5 504	5 504
Segment gross profit	4 481	13 229	1 726	36 664	(5 579)	50 521
Indirect segment cost	(4 748)	(15 369)	(1 467)	(5 624)	(13 598)	(40 806)
Provision for doubtful debt	(1 520)	–	–	–	–	(1 520)
Segment result	(1 787)	(2 140)	259	31 040	(19 177)	8 195
Finance income						492
Income tax						(2 781)
Profit for the year						5 906

COMMENTARY

1. NOTES TO THE AUDITED SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

1.1 BASIS OF PREPARATION

The audited summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listing Requirements for preliminary reports, and the requirements of the Companies Act applicable to summary financial statements. The listing requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements, from which the summary consolidated financial statements were derived, are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements, with the exception of the new standards and amendments

adopted during the current year, and applied consistently by all group entities. The new accounting policies adopted and applied in the preparation of the consolidated financial statements are IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with customers.

This summarised report is extracted from audited information but is not itself audited. The annual financial statements were audited by PricewaterhouseCoopers Inc (PwC) who expressed an unmodified opinion thereon. The audited annual financial statements and the auditor's report thereon are available for inspection at the Company's registered office. For a better understanding of the Group's financial position and results of operations, these preliminary financial statements must be read in conjunction with the Group's audited financial statements for the year ended 30 June 2019 which include all disclosures required by IFRS ("Annual Financial Statements"). The Annual Financial Statements together with the Group's Integrated Annual Report is available on our website on 12 September 2019. The Group's Integrated Annual Report which incorporates the Annual Financial Statements is expected to be posted to shareholders on the 16 September 2019. These preliminary financial statements were prepared by the Group Financial Manager, Freddie van Heerden, under the supervision of the Group Financial Director, Lee Kuyper CA (SA).

The directors take full responsibility for the preparation of the preliminary report and that the financial information has been correctly extracted from the underlying annual financial statements.

1.2 TRADE AND OTHER PAYABLES

Trade and other payables comprised of the following:

	2019 R'000	2018 R'000
Financial liabilities		
Trade payables	474	488
Other financial liabilities	1 758	2 043
Non-financial liabilities		
Other non-financial liabilities	2 572	2 217
VAT payable	998	841
Total trade and other payables	5 802	5 589

1.3 EARNINGS PER SHARE

BASIC EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated by dividing the (loss)/profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

	2019	2018
Reconciliation of the weighted average number of shares in issue		
Shares in issue ('000)	34 781	34 781
Effect of treasury shares acquired ('000)	(5 611)	(5 781)
Weighted average number of shares in issue during the year ('000)	29 170	29 000
Shares in issue at the end of the year – net of treasury shares ('000)	29 170	29 000
Earnings attributable to ordinary shareholders (R'000)	(7 539)	5 906
Basic earnings per share (cents)	(25.85)	20.37

DILUTED EARNINGS PER ORDINARY SHARE

Diluted earnings per ordinary share is calculated by dividing the diluted (loss)/profit for the year attributable to ordinary equity holders of the parent by the diluted average number of ordinary shares during the year.

	2019	2018
Reconciliation between weighted average number of shares in issue and weighted average number of shares in issue used for diluted earnings per share		
Weighted average number of shares in issue ('000)	29 170	29 000
Adjusted for - Effect of diluted number of shares ('000)	—*	745
Weighted average number of shares in issue used for diluted earnings per share ('000)	29 170	29 745
Earnings attributable to ordinary shareholders used for diluted earnings (R'000)	(7 539)	5 906
Diluted earnings per share (cents)	(25.85)	19.86

*Diluted shares are the bonus element relating to the share option schemes when comparing the issue price to the market price of the shares at year-end. None of the share options in issue have a market value higher than the strike price at year end and therefore do not have a dilutive impact.

HEADLINE EARNINGS PER ORDINARY SHARE

Headline earnings per ordinary share is calculated by dividing the headline (loss)/profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

	2019	2018
Weighted average number of shares in issue ('000)	29 170	29 000
Reconciliation between basic earnings and headline earnings		
Basic earnings (R'000)	(7 539)	5 906
Adjusted for:		
– Loss/(Profit) on disposal of equipment (R'000)	10	(10)
Headline earnings (R'000)	(7 529)	5 896
Headline earnings per share (cents)	(25.81)	20.33

DILUTED HEADLINE EARNINGS PER ORDINARY SHARE

Diluted headline earnings per ordinary share is calculated by dividing the diluted headline (loss)/profit for the year attributable to ordinary equity holders of the parent by the diluted weighted average number of ordinary shares outstanding during the year.

	2019	2018
Weighted average number of shares in issue used for diluted earnings per share ('000)	29 170	29 745
Headline earnings (R'000)	(7 529)	5 896
Diluted headline earnings per share (cents)	(25.81)	19.82

1.4 ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

Contract liabilities (Deferred revenue) and contract assets (revenue recognised but not yet invoiced) refers to the timing difference between recognition of revenue and invoicing to the client.

	2019	2018
	R'000	R'000
Contract asset		
Revenue recognised not yet invoiced	4 342	6 948
Contract liability		
Deferred revenue	(1 162)	(945)
Net asset	3 180	6 003

1.5 REVENUE PER GEOGRAPHICAL REGION

	2019	2018
	R'000	R'000
South Africa	33 194	40 998
Namibia	23 258	20 456
Zimbabwe	6 569	10 361
Kenya	5 309	5 101
Botswana	4 365	3 941
Ghana	3 989	2 298
Lesotho	3 873	4 786
Mauritius	2 680	2 236
Malawi	1 762	1 801
Zambia	1 330	1 196
Nigeria	912	862
Mozambique	447	–
Tanzania	8	845
	87 696	94 881

1.6 NET ASSET AND TANGIBLE NET ASSET VALUE PER SHARE

	2019	2018
	'000	'000
Shares in issue at the beginning of the period	34 781	34 781
Effect of treasury shares acquired	(5 611)	(5 781)
Shares net of treasury shares at the end of the period	29 170	29 000
Net asset value per share (cents)	161.79	190.09
Tangible asset value per share (cents)	93.66	117.08

1.7 FAIR VALUES

The carrying amounts of all financial assets and liabilities are a reasonable approximation of their fair value.

2. CORPORATE ACTIVITY

2.1. DIVIDEND

The directors have declared no dividend for the year ended 30 June 2019 from income reserves.

3. AUDIT REPORT

The financial statements for the year ended 30 June 2019 have been audited by PricewaterhouseCoopers Inc. with Mr. HB Eksteen as the designated partner. Their unmodified audit report is available for inspection at the Company's registered office.

4. RE-APPOINTMENT OF AUDITORS

The board of directors recommend the re-appointment of PwC Incorporated, as the independent external auditors for the 2019/2020 financial year.

5. SUBSEQUENT EVENTS

No events occurred subsequent to the year-end that would require adjustment to a disclosure on the summarised consolidated financial statements.

6. FINANCIAL RESULTS AND PERFORMANCE

The past year was a difficult one but there were some positives. We introduced new offerings to the market in the areas of digital on-boarding, digital regulatory compliance and insurance administration. Although slower than expected, we have seen a positive response from the market to these offerings.

We continued to focus on broadening our relationships with our existing customers and now offer a wider range of valuable products and services to them. This is especially important in the tough economic environment which most businesses have experienced over the last year.

However, the impact of the slowing economy and political uncertainty, in South Africa and elsewhere on the continent, contributed to a general slowdown in customer spend and longer time for decision making. During the year we added only two new customers and saw significant pressure on several of our clients' businesses. Our contract with Nedbank Insurance came to end given the completion of their group wide single platform project initiated almost five years ago. Revenue was down 8%, largely because of an 81% drop in implementation revenue.

Operating profit decreased from a profit of R8.2 million in the previous year to a loss of R8.4 million in the current year. This was from the decrease in revenue, as well as a provision for expected credit losses of R3.7 million and that there was no capitalisation of development costs in the current year compared to the R5.5 million capitalised in the prior year.

We decided to close our FSCA registered business process outsourcing business given the lack of progress in growing revenue. This has resulted in a R1.6 million expense included in income tax from the write-off of a deferred tax asset related to previous assessed losses.

The Group posted a net loss of R7.5 million compared to a net profit of R5.9 million in prior year.

Some clients found it difficult to pay on agreed payment terms. In all cases we have attempted to work with our clients to understand their circumstances and look at how we can restructure our contracts and payment terms to support them. This includes our three clients in Zimbabwe which experienced significant challenges as a country over the past year. This impacted the profitability and cash position of the Group in the short term, but we are confident that it is a worthwhile investment for the future of our business. The overall cash position of the Group decreased from R13.5 million to R7 million at year end. The consolidated Statement of Financial Position remains debt free.

SEGMENTAL REVIEW

Implementation services

This segment implements our solutions for clients and is project based.

Revenue decreased by 81%. We had only two implementation projects, added towards the end of the year, both of which were small and sold at lower margins.

After the allocation of indirect costs, the segment posted a loss of R4.3 million compared to a loss of R1.8 million in the comparative period.

Support services (excluding maintenance)

Support is contracted on a monthly basis and is annuity based.

Revenue decreased by 1% from a slowdown in spending from existing customers. The result was further impacted by higher direct costs as only a small amount of direct costs went towards implementation. The segment posted a loss of R9.4 million compared to a loss of R2.1 million in the comparative period.

Hosting and outsourcing services

This segment provides a range of complimentary managed services to our clients. The services include cloud-based hosting, outsourced technical services and full business process outsourcing.

Revenue decreased by 4% to R4.9 million. This was from a contract being ended. The segment posted a loss of R1.9 million compared to a profit of R0.3m in comparative period.

We decided to close our FSCA registered business process outsourcing business given the lack of progress in growing revenue.

We remain satisfied with the cloud-based hosting and outsourced technical services part of the segment where we expect growth in the future.

Software rental and maintenance

Software rental is annuity based.

Revenue was up 4% from inflation related increases. The segment made a profit of R29.3 million compared to R31 million in the prior year, with overall margins of 65% and 72% respectively. The decline in margin is from a planned increase in spend on maintenance of our software.

Our software and the growth of our annuity software rental stream remain a core focus going forward.

Research and development (“R&D”)

In the year we invested into both the development of new software, as well as Insurtech focused research.

During the period, total direct costs were R8 million compared to R11 million in the prior year. No costs were capitalised where R5.5 million were capitalised in the comparative period.

We have restructured our investment into our Insurtech initiatives to a minority stake with no future investment obligations.

7. GROUP OUTLOOK

The SilverBridge Group remains the largest provider of specialised solutions to the African insurance industry. We have maintained our strong position in the African market as a service provider that offers innovative solutions that solve real business challenges.

The difficult past year has required us to look critically at our business and evaluate how firstly, like many businesses, to navigate the tough period ahead, but also look at how to generate growth in the future. In order to do this, we have restructured our investment into our Insurtech initiative and decided to close our FSCA registered business process outsourcing company. Although we still believe in the merits of both for the industry, the risks and continued investment required from the Group to realise the potential are beyond what the Group can realistically commit to in the near future.

By consolidating our focus, we can ensure that our core business remains healthy and delivers what is required for all stakeholders. Part of this is delivering value in the context of our clients' digital transformation objectives. Several of our software assets and solutions are well positioned to enable the digital objectives of an insurer. Although we expect decision-makers to remain wary of making too many significant moves until conditions stabilise, we can see and expect positive opportunities in the future.

8. CHANGES TO THE BOARD OF DIRECTORS

S Blyth resigned as an Executive Director on 1 November 2018.

On behalf of the Board

Jaco Swanepoel
Chief Executive Officer

Robert Emslie
Chairman

Pretoria
12 September 2019

CORPORATE INFORMATION

Directors of SilverBridge:

Robert Emslie (Chairman) **, Jaco Swanepoel (CEO), Jeremy de Villiers **, L Booï *, Hasheel Govind *, Tyrrel Murray**, Lee Kuyper (Financial Director)

* Non-executive

**Independent non-executive

(All the directors are South African citizens).

SILVERBRIDGE REGISTERED OFFICES

Castle Walk Corporate Park, Block D
Corner of Swakop & Nossob Street, Erasmuskloof
Pretoria, 0048
(PO Box 11799, Erasmuskloof, 0048)

COMPANY SECRETARY:

Fusion Corporate Secretarial Services Proprietary Limited represented by Melinda Gous
Unit 7, Block C, Southdowns Office Park, 22 Karee Street
Irene, 0062
(PO Box 68528, Highveld, 0169)

LEGAL ADVISERS:

Gildenhuys Malatji Attorneys Inc.
(Registration number: 1997/002114/21)
GLMI House
Harlequins Office Park,
164 Totius Street,
Groenkloof
(PO Box 619, Pretoria, 0001)

GROUP AUDITORS

PricewaterhouseCoopers Inc.
(Registration number: 1998/012055/21)
4 Lisbon Lane, Waterfall City, Jukskei View, 2090
(Private Bag X36, Sunninghill, 2157, South Africa)

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited
(Registration number: 2004/003647/07)
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2107
(Call centre: 0861 100 634)
(PO Box 61051, Marshalltown, 2107)

DESIGNATED ADVISER:

PSG Capital
(Registration number: 2006/015817/07)
Second Floor, Building 3
11 Alice Lance
Sandton, 2196
(PO Box 650957, Benmore, 2010)

www.silverbridge.co.za